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STATE LEGISLATURE, MADRAS

THE MADRAS LEGISLATIVE COUNCIL

Saturday, the 18th February 1961.

The House met in the Council Chamber, Fort St. George, at three of the clock Mr. Chairman, (THE HON. DR. P. V. CHERIAN) in the Chair.

I.—QUESTIONS AND ANSWERS.

STARRED QUESTIONS.

Caustic soda industry

* 57 *Q*.—VIDWAN T. MUTHUKANNAPPAN : Will the Hon. the Minister for Industries be pleased to state—

(*a*) whether there is any proposal to start a caustic soda industry in Kovalam, Chingleput district ; and

(*b*) if so, the stage at which the matter stands?

THE HON. SRI R. VENKATARAMAN : (*a*) No, Sir. The Government are not aware of any proposal to start a caustic soda industry at Kovalam.

(*b*) Does not arise.

VIDWAN T. MUTHUKANNAPPAN : *தனியார் யாரிடமிருந்தாவது கோவளத்தில் "காஸ்டிக் ஸோடா" தொழிற்சாலே ஆரம்பிக்க வேண்டுமென்று அனுமதி கோரி, செங்கல்பட்டு கலெக்டர் மூலம் அரசாங்கத்திற்கு ஏதாவது மனு வந்திருக்கிறதா ?*

THE HON. SRI R. VENKATARAMAN : *வேறு ஒரு மனு வந்திருக்கிறது.*

VIDWAN T. MUTHUKANNAPPAN : *அதன் மீது அரசாங்கம் ஏதாவது நடவடிக்கை எடுத்திருக்கிறதா ?*

THE HON. SRI R. VENKATARAMAN : *அந்தக் கம்பெனியே அதைப் பரிசீலனை செய்துகொண்டிருக்கிறார்கள். அதற்குமேல் அவர்கள் முயற்சி எடுத்துக்கொண்டால், எல்லா உதவியும் கொடுக்கப்படும்.*

SRI S. K. SAMBANDHAN : *நமது மாநிலத்தில் எததனை இடத்தில் "காஸ்டிக் ஸோடா" தயாரிக்கப்படுகிறது ?*

THE HON. SRI R. VENKATARAMAN : *இரண்டு இடங்களில்—ஒன்று மேட்டூர் கெமிகல்ஸ், மற்றொன்று தாரங்கதரா கெமிகல்ஸ்.*

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State Transport, Madras

* 58 Q.—SRI T. P. SRINIVASAVARADAN : Will the Hon the Minister for Industries be pleased to state—

(*a*) the net profit earned by the State Transport, Madras, during the years 1957–58, 1958–59 and 1959–60; and

(*b*) the proportion of the profit in each of the above years utilized for the increase of fleet strength or replacement of unserviceable vehicles?

THE HON. SRI R. VENKATARAMAN : (*a*) 1957–58—Rs. 20·30 lakhs, 1958–59—Rs. 20·50 lakhs, and 1959–60—Rs. 26·10 lakhs.

(*b*) The expenditure towards the purchase of buses for augmentation or replacement is met from the general revenues of the State with which the profits are merged.

SRI T. P. SRINIVASAVARADAN : May I know, Sir, how the profits are invested? Are they invested separately or do they merge into the general revenues?

THE HON. SRI R. VENKATARAMAN : They merge into the general revenues.

SRI MOHAMED RAZA KHAN : Sir, is the Hon. Minister aware that there is going to be a Development Fund and that whatever amount is required for the purchase of buses in future will be met out of the Development Fund? Will he clarify what is the amount of the Development Fund and how is it going to be utilized?

THE HON. SRI R. VENKATARAMAN : It is now proposed to start a Development Fund with an initial contribution of Rs. 22·5 lakhs. This really comes to us as accumulated interest which the reserves of the State Transport Department bear with the Government. We are starting this Development Fund with Rs. 22·5 lakhs, and we propose to transfer to this fund one-third of the net profits every year so that we can expand our bus services.

SRI T. P. SRINIVASAVARADAN : Sir, since the transport system is making profits, is there a proposal to give bonus to the technical staff, conductors and drivers?

THE HON. SRI R. VENKATARAMAN : They are already getting bonus. It is on the basis of production. We have fixed some norms for technical staff. If they perform more than the norms, then we give bonus. With regard to conductors and drivers, bonus is given on the basis of their record. We have got a new scheme now under which for perfect attendance and work, we will give bonus.

SRI T. P. SRINIVASAVARADAN : Sir, is it because of allowing standing passengers that there is such a profit? If standing passengers are not allowed, then will the profits go down?

THE HON. SRI R. VENKATARAMAN : It is a matter for speculation.

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SRI MOHAMED RAZA KHAN : Sir, from the time the Government nationalized the bus transport in the City of Madras, there was a depreciation fund. Will the Minister tell us how much went into the depreciation fund, and what is the balance left now?

THE HON. SRI R. VENKATARAMAN : I think we have got about Rs. 172 lakhs in the depreciation fund.

SRI MOHAMED RAZA KHAN : May I know as to how that amount, if it is with the Government, is going to be utilized?

THE HON. SRI R. VENKATARAMAN : It is all part of the ways and means of the State Government.

SRI T. P. SRINIVASAVARADAN : Sir, are the routes to Kancheepuram and Tirupathi economic or uneconomic?

THE HON. SRI R. VENKATARAMAN : The bus routes to Tirupathi are not only economic, but very profitable also. As regards the bus routes to Kancheepuram, we have not taken over the whole thing. We are running two or three buses. Private competition is very keen.

SRI T. P. SRINIVASAVARADAN : Since a number of bus routes in the City of Madras are uneconomic according to the statement given by the State Transport Department itself, do the Government propose to withdraw buses from those uneconomic routes as a sort of necessity?

THE HON. SRI R. VENKATARAMAN : Not at all. It is not the idea of the Government to withdraw from any of those uneconomic routes. On the other hand, we want to serve every part of the city.

SRI MOHAMED RAZA KHAN : Sir, as the Leader of the House has said that Rs. 20 lakhs has been earmarked for the Development Fund, am I to understand that the purchase of all the additional buses in future will be dependent on the new Development Fund or on the necessity for them in the City of Madras?

THE HON. SRI R. VENKATARAMAN : The expansion of the fleet will be dependent purely on the needs, and if we can devote a part of the Development Fund to that purpose, we will do it. Even if the Development Fund is not enough, we can borrow from the State resources and expand it.

SRI MOHAMED RAZA KHAN : Can the Minister tell us whether the present fleet strength, particularly the number of buses on the road, are commensurate with the heavy traffic in the City of Madras?

THE HON. SRI R. VENKATARAMAN : Sir, I think that Madras is growing faster than even the expert's contemplation. The expert of the I.L.O., a copy of whose recommendation is placed on the table of the House to-day, anticipated that 475 buses would

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be enough for the routes which we now have. But we have 570 buses and still they are not able to cope with the increased traffic that is now offering.

SRI T. P. SRINIVASAVARADAN : Sir, what steps the Government propose to take to meet the increased demand and also to serve every part of the city?

THE HON. SRI R. VENKATARAMAN : We are going to have an additional fleet of 150 buses in the next year.

SRI MOHAMED RAZA KHAN : Sir, is the Leader of the House aware that while the expert's opinion has got its own value, in this matter of transport, the lakhs of people who suffer in the City of Madras are the experts to give the opinion whether the number of buses in the City of Madras is sufficient or not?

THE HON. SRI R. VENKATARAMAN : The point really is that the growth of the City of Madras is much faster than even the contemplation of the experts. That is the point, and particularly in the wake of a number of industries which have been started in and around Madras, the bus travelling public also have increased beyond normal expansion.

SRI MOHAMED RAZA KHAN : Sir, the Leader of the House was very happy in saying that the fleet strength in Madras was 570. But is he aware that one-third of the buses are not on the road? If my figure is not correct, he can give the correct figure.

THE HON. SRI R. VENKATARAMAN : The figure quoted by the hon. Member is not correct. It was so when we had a large number of old buses. By the year 1959–60 we had eliminated all old buses. Actually the report says that we had only 34 old buses—overaged buses—at the end of the year 1959–60. To-day all the buses are within the book life. The ratio is that 80 per cent of the buses are on the road. It is only 20 per cent that is idle, and that is necessary, because of the very rules we have framed.

SRI T. P. SRINIVASAVARADAN : May I know, Sir, how many old buses, which are classified as unproductive, are used to give lift to the conductors and drivers of the transport system?

THE HON. SRI R. VENKATARAMAN : Sir, I did not follow the question.

SRI T. P. SRINIVASAVARADAN : Sir, some buses do not ply. They are declared unfit. Those buses are employed for bringing in drivers and conductors. May I know the number of such buses?

THE HON. SRI R. VENKATARAMAN : That is what we call 'dead milage', that is, milage which we use for purposes other than carrying passengers. We have to give transport to some of our workers to go to the transport depot in the early hours of the morning and then to go home after the usual transport hours. We are using these old buses—that is, overaged buses—for this purpose. I cannot give the exact number now.

Industrial Investment Corporation

* 59 *Q.*—DR. A. SREENIVASAN : Will the Hon. the Minister for Industries be pleased to state—

(*a*) whether any loan either by the Government or by the Industrial Finance Corporation has been advanced to the Uma Printers and Uma Magazine, Madras;

(*b*) if so, the amount of loan so advanced and the reasons for such advance; and

(*c*) whether the loan has been recovered in part or in full?

THE HON. SRI R. VENKATARAMAN : (*a*) & (*b*) A loan of Rs. 1 lakh has been advanced to the proprietor of Uma Printers by the Madras Industrial Investment Corporation to finance the cartoon making scheme of the firm.

(*c*) The loan has been recovered in part.

DR. A. SREENIVASAN : What is the amount that has been recovered so far, Sir?

THE HON. SRI R. VENKATARAMAN : A sum of Rs. 1 lakh was advanced. The balance outstanding is only Rs. 53,333. The loan is repayable in fifteen yearly instalments, and the instalments are being paid.

DR. A. SREENIVASAN : Are the Government aware that the proprietor of this printing factory has alienated his property in the name of his wife? Has this fact been brought to the notice of the Government? 3-10 p.m.

THE HON. SRI R. VENKATARAMAN : We have no information. Ordinarily as long as the instalments are regularly paid we do not pry into these things. But if there is any such alienation, I would be thankful if the hon. Member would write to the Government.

DR. A. SREENIVASAN : What is the principle on which loans are given? Is it that loans are given only to manufacturers and not to processing firms?

THE HON. SRI R. VENKATARAMAN : Both. We give preference to manufacturers. But we also give loans to some of the industries which are ancillary to the manufacturing units.

DR. A. SREENIVASAN : Will the Government extend such help to other firms which are only processing and not manufacturing?

THE HON. SRI R. VENKATARAMAN : This is not being done by the Government. It is the Madras Industrial Investment Corporation which gives loans and certainly the Industrial Investment Corporation will consider all cases sympathetically.

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Overbridge at the railway level-crossing

* 60 *Q.*—SRI S. K. SAMBANDHAN : Will the Hon. the Minister for Home be pleased to state with reference to the answer to the Legislative Council Question No. 530, dated 31st January 1956—

(*a*) the further action taken to construct an overbridge at the railway level crossing near Tambaram on the G.S.T. Road;

(*b*) whether plans and estimates have been sanctioned for the five other road-rail crossings of National Highways referred to in the answer in the above Legislative Council Question; and

(*c*) if so, the budget provision made for the works referred to above and when the schemes are likely to be completed?

THE HON. SRI M. BHAKTAVATSALAM : (*a*) The Engineer Liaison Officer (Government of India) is finalising the design for the curves of the approaches after which the proposals will be forwarded to Government of India for approval.

(*b*) No, Sir.

(*c*) Does not arise.

SRI S. K. SAMBANDHAN : In the answer to question No. 530, the Hon. Minister stated that the construction of five overbridges was under the consideration of the Government. What are the places in which the bridges are to be constructed?

THE HON. SRI M. BHAKTAVATSALAM : I would like to have notice of a separate question.

SRI S. K. SAMBANDHAN : In the construction of overbridges, what is the share of the Central Government as regards cost?

THE HON. SRI M. BHAKTAVATSALAM : Again, I would like to have notice to furnish the information about sharing of cost.

Display of price list

* 61 *Q.*—SRI T. P. SRINIVASAVARADAN : Will the Hon the Minister for Home be pleased to state—

(*a*) whether any instructions have been issued by the Government of India to take steps to enforce the display of price list by every shop-keeper; and

(*b*) if so, the action taken thereon?

THE HON. SRI M. BHAKTAVATSALAM : (*a*) No, Sir.

(*b*) Does not arise.

The Madras Open Places (Prevention of Disfigurement) Act, 1959

* 62 *Q.*—VIDWAN T. MUTHUKANNAPPAN : Will the Hon. the Minister for Home be pleased to state the number of persons prosecuted under the Madras Open Places (Prevention of Disfigurement) Act, 1959 from 1st January 1960 to 30th June 1960 and the number of persons punished?

THE HON. SRI M. BHAKTAVATSALAM : One hundred and nine and one hundred and five respectively.

VIDWAN T. MUTHUKANNAPPAN : *இந்தத் தண்டனை விஷயத்தில் மேலும் தீவிரமாக நடவடிக்கை எடுக்க அரசாங்கம் ஏற்பாடு செய்யுமா ?*

THE HON. SRI M. BHAKTAVATSALAM : *மேலும் தீவிரமாக்க வேண்டிய அவசியமில்லை. இப்பொழுது நடவடிக்கை எடுத்துக்கொள்ளப்பட்டு வருகிறது. இம்மாதிரி சட்டப்படி நடவடிக்கை எடுத்துக்கொள்வதில் பலனும் ஏற்பட்டுக்கொண்டு வருகிறது.*

SRI MOHAMED RAZA KHAN : There was a proposal before the persons in charge of the Botanical Gardens to alienate a plot of land for some other purpose. May I know whether the Government have taken any action to prevent such alienation?

THE HON. SRI M. BHAKTAVATSALAM : The Association concerned has not proceeded with the proposal. It has, in fact, not been permitted to do so. The matter is under examination.

Tholurpatti Leprosorium Doctor murder case

* 63 *Q.*—DR. A. SREENIVASAN : Will the Hon. the Minister for Revenue be pleased to state—

(*a*) whether the attention of the Government has been drawn to the judgment in the Tholurpatti Leprosorium Doctor murder case; and

(*b*) if so, the action taken or proposed to be taken thereon?

THE HON. SRI M. A. MANICKAVELU : (*a*) Yes, Sir.

(*b*) No action is proposed to be taken.

DR. A. SREENIVASAN : May I know why the Government do not propose to take any action against the offenders?

THE HON. SRI M. A. MANICKAVELU : In the case of three persons, i.e., accused 1 to 3 the case ended in conviction. The other accused were acquitted. Our legal authorities on an examination of the judgment came to the conclusion that no appeal need be filed.

DR. A. SREENIVASAN : Is it a fact that the said doctor had invited the attention of his superiors on a number of occasions to the unruly behaviour of the inmates of this institution? If so, what action was taken in the matter?

THE HON. SRI M. A. MANICKAVELU : I have no information about the matter referred to by the hon. Member. But on the day of the occurrence of this crime, there was unruly behaviour on the part of the inmates and this incident took place.

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DR. A. SREENIVASAN : Is it a fact that these lepers had been taking undue advantage of their illness and behaving in an unruly fashion so that this doctor was incapacitated from discharging his duties properly?

THE HON. SRI M. A. MANICKAVELU : To the best of my information, the unruly behaviour was witnessed only on the day this incident happened. What happened before that is not before us.

DR. A. SREENIVASAN : Is it a fact that the doctor wrote to his superior authorities informing them of the unruly behaviour of the inmates of the Leprosorium, fearing his life?

THE HON. SRI M. A. MANICKAVELU : I have no information about that. But as regards the incident on that day, the doctor cut off all rations and no food was given to the inmates from the morning till about 2 or 3 p.m. Probably the inmates got enraged.

DR. A. SREENIVASAN : Therefore, is that an extenuating circumstance for a person to commit murder?

THE HON. SRI M. A. MANICKAVELU : Whoever said it was an extenuating circumstance? If the hon. Member draws all sorts of inferences, I am not responsible for it.

Plague

* 64 Q.—SRI T. P. SRINIVASAVARADAN : Will the Hon. the Minister for Revenue be pleased to state—

(a) whether there was any outbreak of plague in Hosur taluk, Salem district, in the first fortnight of November 1960;

(b) if so, the number attacked and the number that proved fatal; and

(c) the preventive measures taken by the Government to control the same?

THE HON. SRI M. A. MANICKAVELU : (a) Yes, Sir. There was an outbreak of plague in Hosur taluk on 9th October 1960.

(b) Sixteen attacks and eight deaths were reported.

(c) All the people in the infected as well as in the surrounding villages have been inoculated against plague. All the structures in the infected and surrounding areas were treated with D.D.T.

SRI T. P. SRINIVASAVARADAN : May I know whether the whole taluk was declared an infected area for about four weeks and that as such no foodstuffs were allowed to move to the non-infected areas?

THE HON. SRI M. A. MANICKAVELU : When we were concerned with the lives of the people, we should not worry about the movement of things. We have to take steps to see that the disease does not spread. We have arranged for periodical meetings of inter-district and inter-State officers so that they may take proper action for the prevention of this sort of epidemic.

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SRI T. P. SRINIVASAVARADAN : What other parts of the Salem district were affected by this plague?

THE HON. SRI M. A. MANICKAVELU : Only one taluk was affected and that was Hosur. In fact, my hon. Colleague was there at that time and people warned him not to go there in view of the epidemic. Still he braved the situation and went into the plague-affected area also.

SRI T. P. SRINIVASAVARADAN : In what state is the epidemic now? Is the area free from it?

THE HON. SRI M. A. MANICKAVELU : I think so.

DR. A. SREENIVASAN : Why did not the people of that area rise in revolt as the inmates of the Leprosorium did?

MR. CHAIRMAN : Next question.

Construction of houses

* 65 *Q.*—SRI M. ETHIRAJALU : Will the Hon. the Minister for Works be pleased to state—

(*a*) whether there is any proposal to construct houses for dhobis, fishermen and barbers during 1960–61; and

(*b*) if so, the details thereof?

THE HON. SRI P. KAKKAN : (*a*) There is no proposal to construct houses for dhobis and barbers during 1960–61. As regards fishermen 61 houses will be constructed during the year under the State Fishermen Housing Scheme.

(*b*) Each house for fishermen will cost Rs. 850 according to an approved type design, of which Rs. 550 will form the Government subsidy and the balance of Rs. 300 will be contributed by the beneficiaries by way of labour and materials or by cash. Interest-free loans, repayable in five years will be advanced to such fishermen who are unable to meet their portion of contribution by cash, labour or materials. The construction of houses is done through the agency of the Fishermen Co-operatives serving the area.

SRI M. ETHIRAJALU : சேரி சீரமைப்புத் திட்டத்தின்கீழ், சென்ற ஆண்டு மத்திய சர்க்காரிடத்திலிருந்து சலவைத் தொழிலாளருக்கும் வீடு கட்டிக் கொடுக்கலாமென்று ஏதாவது நமது இராச்சிய சர்க்காருக்குத் தகவல் வந்திருக்கிறதா? அப்படியானால், அதன்படி எத்தனை வீடுகள் கட்டிக்கொடுக்கப்பட்டிருக்கின்றன? கட்டிக்கொடுக்கப்படவில்லையானால், வேறு ஏதாவது நடவடிக்கை எடுக்கப்பட்டிருக்கிறதா?

THE HON. SRI P. KAKKAN : அந்தமாதிரித் தகவல் வரவில்லை. கனம் அங்கத்தினர் அவர்கள் தனியாகக் கேள்வி போட்டால் பதில் சொல்லலாம்.

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SRI K. T. KOSALRAM: "டோபிகாஞ" கட்டுவதற்கும் "டோபி" களுக்கு வீடுகள் கட்டிக்கொடுப்பதற்கும் மத்திய சர்க்கார் ஏதாவது திட்டம் வைத்திருக்கிறதா, இல்லையா, என்று இந்த சர்க்காருக்குத் தெரியுமா?

THE HON. SRI P. KAKKAN: "டோபிகாஞ" பற்றி கனம் அங்கத்தினர் அறிய விரும்பினல், அதற்கு சம்பந்தப்பட்ட மந்திரி அவர்களைக் கேட்க வேண்டும்.

Construction of bridges

* 66 *Q.*—SRI S. K. SAMBANDHAN: Will the Hon. the Minister for Local Administration be pleased to state—

(*a*) whether there is any proposal to construct bridges across (1) the river Paravanar near Kothavacheri on the Kurinjipadi-Bhavanagiri Road in South Arcot district and (2) the river Gadilam on the Kudinjipadi Palur Road in South Arcot district; and

(*b*) if so, the stage at which the matter now stands?

THE HON. SRIMATHI LOURDHAMMAL SIMON: (*a*) Yes, Sir.

(*b*) The detailed estimates for the works have been prepared by the Divisional Engineer (Highways and Rural Works) Designs, and they are under scrutiny and final check.

SRI S. K. SAMBANDHAN: கடிலம் நதியில் எந்த இடத்தில் கட்டுவதாகத் தீர்மானிக்கப்பட்டிருக்கிறது?

THE HON. SRIMATHI LOURDHAMMAL SIMON: A bridge or causeway on the Kurinjipadi-Palur Road.

VIDWAN T. MUTHUKANNAPPAN: மீனவர்களின் போக்கு வரத்துக்கு பக்கிங்ஹாம் கால்வாய் பெருந் தடையாக இருக்கிறது. ஆகையால், தென்னுற்காட்டு மாவட்டத்தில் சிறு பாலங்கள் கட்ட ஏற்பாடு இருக்கிறதா?

THE HON. SRIMATHI LOURDHAMMAL SIMON: இல்லை.

MR. CHAIRMAN: Questions are over.

[*Note.*—**An asterisk (*) at the commencement of a speech indicates revision by the Member.**]

II.—ANNOUNCEMENTS.

(1) MESSAGE FROM THE GOVERNOR.

3-20 p.m. MR. CHAIRMAN: I have received a message from the Governor of Madras recommending to the Legislative Council the consideration of the Madras Chit Funds Bill, 1961.

(2) MESSAGE FROM THE ASSEMBLY.

MR. CHAIRMAN : I have also received a message from the Hon. Speaker, Madras Legislative Assembly, transmitting a copy of the Madras Chit Funds Bill, 1961 (L.A. Bill No. 5 of 1960), as passed by the Legislative Assembly on the 1st February 1961 for the concurrence of the Council.

(3) DECISION OF THE BUSINESS ADVISORY COMMITTEE.

MR. CHAIRMAN : At a meeting of the Business Advisory Committee held at 2-30 p.m. to-day, the following programme of business has been decided :— 3·20 p.m.

19th February 1961 .. .. .. 20th Febuary 1961	Holidays
21st Febuary 1961 .. .. .. 22nd February 1961	No meeting.
23rd February 1961 .. .. .. 24th February 1961	Consideration of the Madras Chit Funds Bill, 1961. (L.A. Bill No. 5 of 1960)—(cont.).
25th Febuary 1961	Presentation of the Budget for the year 1961–62.
26th February 1961	Holiday.
27th February 1961	Consideration of the Madras State Housing Board Bill, 1961 (L.A. Bill No. 31 of 1960).
28th February 1961 .. .. .. 1st March 1961	Holidays.
2nd March 1961 .. .. .. 3rd March 1961	Consideration of the Madras State Housing Board Bill, 1961. (L.A. Bill No. 31 of 1960) - (cont).
4th March 1961	No meeting.
5th March 1961	Holiday.
6th March 1961	No Meeting
7th to 11th March 1961	General discussion on the Budget for the year 1961–62.

The Council will meet daily at 3 p.m. Further programme of business will be decided later.

The time-limit for the receipt of amendments to the Madras Chit Funds Bill, 1961 (L.A. Bill No. 5 of 1960) has been extended till 2 p.m. on the 23rd February 1961.

(4) VISIT OF HER MAJESTY QUEEN ELIZABETH II TO RAJAJI HALL.

MR. CHAIRMAN : I have great pleasure to announce to the House that Her Majesty Queen Elizabeth II and His Royal Highness Prince Philip, Duke of Edinburgh, will visit the Rajaji Hall at 6 p.m. on Sunday, the 19th February 1961 to meet the Legislators.

Invitations have already been issued to all Members who have been given each a car pass. It has since been decided that each Member will be given 5 passes for the use of their families. Passes are available with the Secretary to the Council. Family members of the Legislators will be seated in the lawn near the

steps to Rajaji Hall. Only Members can go up the steps to the Rajaji Hall and they will be seated in the verandahs, where light refreshments have been arranged. Members must be in their seats before 5-30 p.m.

Her Majesty the Queen and His Royal Highness the Duke of Edinburgh will go round and meet the Members. When Her Magesty the Queen and His Royal Highness go round, Members will stand in their seats and wish them ' Namasthe ' in the Indian style.

Members who are not resident inside the Government Estate will enter by the main gate opposite the Simpson Company. They must show their passes and passes for their families to the officers at the Gate without which they will not be allowed to enter the Government Estate. Members must not leave the Hall until five minutes after the departure of Her Majesty the Queen and her party from the Rajaji Hall.

III.—CALLING ATTENTION TO THE DAMAGE CAUSED TO FISHERMEN'S HUTS AND STEPS TAKEN TO REHABILITATE THEM.

* VIDWAN T. MUTHUKANNAPPAN : Mr. Chairman, Sir, under rule 41 of the Madras Council Rules, I seek your permission to call the attention of the Hon. the Minister for Local Administration to a matter of urgent public importance, namely, the extensive damage caused to the huts of the fishermen both in the City and in the districts by the recent monsoon rains and gale, as a result of which many fishermen families have been rendered homeless, and the failure to provide immediate and timely relief for their rehabilitation in the matter of financial aid and materials for reconstruction of their huts. Hundreds of fishermen have been rendered homeless and some boats were also destroyed. But relief has not been given to these poor people in time as a result of which many of them are living in damaged and leaking huts which are unsafe. In fact, Sir, some of them are residing with their neighbours and relatives. They are too poor to reconstruct their houses and boats without Government aid, which has reached the other poor people in the non-fishermen areas already. It is therefore necessary and imperative that immediate action should be taken to rehabilitate the poor fishermen and provide financial and other aids to them.

THE HON. SRIMATHI LOURDHAMMAL SIMON : Mr. Chairman, Sir, there was heavy rain in coastal areas of this State during November and December 1960. During this period a cyclone was experienced in and near the City of Madras in November 1960. The rain and cyclone caused widespread damage to huts and distress to the poorer sections of the people. Relief measures for the affected people, irrespective of their trade or calling, were taken by the Corporation of Madras and by the Collectors of Tanjore, Madras, and Chingleput, where serious

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damage occurred. The relief given included cash payment up to a maximum of Rs. 30 for repairing huts. In addition to this the affected persons were also supplied with free food by the Corporation of Madras and the Collector of Chingleput. The Corporation of Madras also distributed blankets, dhotis, and sarees to the needy persons. As the Corporation did not maintain separate figures for relief given to fishermen and others, it has not been possible to ascertain the number of fishermen who were given relief by the Corporation. It has however been possible to get relevant information from the districts, and from the figures furnished by the Collectors it is seen that in Thanjavur 815 families of fishermen were given relief amounting to Rs. 7,210, in Madras 1,025 families of fishermen were given relief amounting to Rs. 14,650 by the Collector of Madras, and in Chingleput district 269 families were given relief amounting to Rs. 1,845. These 2,109 families were given relief amounting in all to Rs. 23,705 in this State. In addition to this about 300 fishermen families of the extended area in Madras City were given relief amounting to Rs. 3,960 by the Collector of Madras.

It will be seen that the Revenue Department and the Corporation of Madras have taken prompt and necessary action for giving relief to the families of fishermen affected by the weather in November and December 1960. The Fisheries Department gave relief in matters which are peculiar to the profession of fishermen. Frequently, in calamities of this sort, boats and nets of fishermen get damaged and the affected persons are unable to pursue their avocation. The Fisheries Department therefore gives necessary assistance in suitable cases for repairs to boats and nets and even for acquiring new nets. On this occasion also the Fisheries Department took action to supply cotton yarn at subsidised rates and in addition gave assistance for repairs to damaged catamarans in suitable cases.

As an instance of Government's awareness and readiness for assisting fishermen, I would like to mention that on 17th November 1960 Government received information that three fishermen had drifted away from Porto Novo on the 13th November 1960 under the influence of the north-east monsoon and that their whereabouts were unknown. Immediately a telegram was issued on 18th November 1960 requesting assistance from the Military authorities for an aerial survey for locating the whereabouts of these three fishermen. The Government also alerted the Mercantile Marine Department and requested the Ceylon Government to keep watch and to inform this Government immediately in case these fishermen were sighted by any ships or by any persons on the Ceylonese coast. Unfortunately these measures did not help to locate these fishermen.

In view of what I have said, I am sure the House will agree with me that adequate relief has been given to the fishermen affected by the heavy rains and cyclone in November and December last year without treating the fishermen as a privileged class

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among the poor people. The fishermen have certainly received as much help as other poor people and in addition assistance has been given to fishermen wherever required for mending boats and nets.

IV.—GOVERNMENT MOTIONS.

(1) MOTION UNDER RULE 23 (1) OF THE COUNCIL RULES.

THE HON. SRI R. VENKATARAMAN : Mr. Chairman, Sir, I move—

'That rule 23 (1) of the Madras Council Rules be suspended and this House do resolve to transact Government Business on Saturday, the 18th February 1961.

MR. CHAIRMAN : The question is—

'That rule 23 (1) of the Madras Council Rules be suspended and this House do resolve to transact Government Business on Saturday, the 18th February 1961'.

The motion was put and carried.

(2) AMENDMENT TO RULES UNDER THE MADRAS CITY MUNICIPAL ACT, 1919 (MADRAS ACT IV OF 1919).

THE HON. SRIMATHI LOURDHAMMAL SIMON : Mr. Chairman, Sir, I move—

"That the following draft of a rule proposed to be made by the Governor of Madras under sub-section (3) of section 347 of the Madras City Municipal Act, 1919 (Madras Act IV of 1919), amending Schedule V to that Act be approved.

Draft Rule

In sub-rule (1) of rule 12 of the said Schedule, for the words 'or in his absence by the Revenue Officer' the words 'or any Officer or servant of the Corporation specially authorized by the Commissioner in this behalf' shall be substituted."

Under rule 12 (1) of Schedule V to the Madras City Municipal Act, 1919, all orders and cheques against the Municipal fund (i.e. Corporation fund) shall be signed by the Commissioner of the Corporation of Madras or in his absence by the Revenue Officer of the Corporation. Under this rule, at present all pay orders and cheques against Municipal fund are signed by the Commissioner, Corporation of Madras. Under rules 13 and 14 of the said Schedule, the Commissioner is the authority competent to make or authorize the payment out of Corporation funds of sums due for payment.

The Commissioner has stated that due to the expansion of the developmental activities and execution of various capital works, he has to sign hundreds of cheques everyday which takes a good

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deal of his precious time which could be concentrated on more important items of work which require his attention. He therefore considers that all pay orders and cheques against the Municipal fund can be signed by the Deputy Commissioner. The Commissioner has therefore requested the Government to amend rule 12 (1) of Schedule V to the Madras City Municipal Act, 1919, suitably.

Under section 16 of the Madras City Municipal Act, the Commissioner may delegate to any Officer any of his ordinary powers, duties or functions except those excepted therein. Rule 12 of Schedule V to the Madras City Municipal Act is not one of the exceptions specified in the said section. However, rules 13 and 14 of the said Schedule are among the exceptions enumerated in section 16 of the Madras City Municipal Act, 1919. It is therefore proposed to amend only rule 12 (1) of the said schedule which will enable the Commissioner, Corporation of Madras, to delegate the power of signing the cheques to any officer or servant of the Corporation specially authorized by the Commissioner in this behalf. 3-30 p.m.

This will not entail legislation; but under section 347 (5) of the Madras City Municipal Act, 1919, a draft of the rule proposed to alter Schedule V should be laid before both chambers of the State Legislature and their approval obtained. I ask for the approval of the House accordingly.

MR. CHAIRMAN : The question is—

" That the following draft of a rule proposed to be made by the Governor of Madras under sub-section (3) of section 347 of the Madras City Municipal Act, 1919 (Madras Act IV of 1919), amending Schedule V to that Act be approved—

Draft Rule

In sub-rule (1) of rule 12 of the said Schedule, *for* the words ' or in his absence by the Revenue Officer ' the words ' or any Officer or servant of the Corporation specially authorized by the Commissioner in this behalf ' shall be substituted ".

The motion was put and carried.

V.—GOVERNMENT BILL.

THE MADRAS CHIT FUNDS BILL, 1961 (L.A. BILL NO. 5 OF 1960).

* THE HON. SRI R. VENKATARAMAN : Sir, I move—

' That the Madras Chit Funds Bill, 1961[a] (L.A. Bill No. 5 of 1960), as passed by the Legislative Assembly, be taken into consideration. '

Sir, this Bill was introduced in the Legislative Assembly in April 1960, and with the concurrence of this House, it was referred to a Joint Select Committee. After recording evidence, the Committee subjected the clauses of the Bill to a thorough scrutiny. As a result, the Committee has made some changes to

(a) Printed as Appendix on pages 311-322 infra.

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the clauses as originally proposed. I shall mention the more important of the changes now. Originally clause 3 provided that a person who wanted to start or conduct a chit had to obtain the sanction of the officer empowered by the Government in that behalf and also register the chit agreement in accordance with the provisions of the Act. The Committee has held the view that the previous sanction of the officer is not necessary, and that it is sufficient if the foreman, on the model of the co-operative societies, registers the by-laws. Regular business can be transacted only after filing the chit agreement and obtaining the certificate of commencement.

Another change is in regard to the original clause 11 relating to the security to be furnished by the foreman of a chit. The clause contemplated provision of security by way of property for the realisation of twice the chit amount or a deposit in any approved bank of an amount of cash not less than the chit amount. The Committee felt that the amount of security to be furnished might be reduced, and, under this clause, we have said that it is enough if the cash security is furnished to the extent of fifty per cent and property security equal to the chit amount.

It may be noted that previously there was no provision for exempting, in deserving cases, any chit or class of chits or any person or class of persons from the operation of this Bill. Necessary provision has now been made in this behalf. The Legislative Assembly has also made a few changes in this Bill. According to the provision of the Bill, as amended by the Joint Select Committee. no Court inferior to that of a salaried Presidency Magistrate or a salaried Magistrate of the second class shall try any offence under the Act. The Legislative Assembly has amended the provision to the effect that no Court inferior to that of a salaried Presidency Magistrate or a salaried Magistrate of the first class shall try any offence under the Act.

Sir, I request that the Bill be taken into consideration.

MR. CHAIRMAN : Motion moved—

'That the Madras Chit Funds Bill, 1961 (L.A. Bill No. 5 of 1960), as passed by the Legislative Assembly, be taken into consideration.'

SRI M. SESHACHARIAR : Mr. Chairman, Sir, in supporting the Bill I want to say a few words. There were, of course, complaints by very many that in the matter of these chit fund transactions the relationship between the chit holder and the subscribers had not been definitely defined and that there were not sufficient safeguards to protect the subscribers who were ignorant and illiterate. I believe it is for that purpose a provision has been made in regard to the whole thing. The provision in regard to the commencement of the chit, the registration of the by-laws, and the certificate to be obtained before starting chits, are really salutary provisions. There is the provision for making deposit as a security for repayment of the chit fund amount. While all

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these are true, I wish to say that there are various provisions which outweigh all the advantages that are given to the subscribers. In very many cases, the protection that is offered is to the foreman and not to the subscriber. I can give a number of instances of this kind. One such is this. In regard to the receipts that are to be given by the foreman, though it is insisted upon that the foreman should give receipts, it may so happen that he does not issue any receipt at all. I am here referring to clause 61. Though the foreman is compelled to issue receipts, in the absence of receipts, it actually throws the burden of proof on the subscriber, and oral evidence is prohibited. In other matters too oral evidence is prohibited. I would like to bring to the notice of the Leader of the House clause 23. It also says that the promissory note that is executed as security for the payment of the subsequent instalments should state that it is for the purpose of paying future instalments. If there is no such stipulation, it would show that a decree could be passed for the entire amount. This places the subscriber at a very great disadvantage. As matters stand at present, he can prove, under the provisions of the Evidence Act, that the character of the note is different. It is for him to prove by oral evidence that the pro-note that is executed is for the purpose of paying the instalments that are due. On the other hand, I should think that clause 25 would impinge on the salutary provisins of section 92 of the Evidence Act. Under this section a person can prove by oral evidence that a promissory note has been executed not in regard to the stipulations or the conditions that are contained therein but only as security for paying future instalments. But under this Bill, he is practically prohibited from doing so. Clauses 61 and 25 go against the section in the Evidence Act, and it may not be proper to leave it like that. I think this Bill does not give any kind of protection to the illiterate subscribers.

Then, another instance is this. If a prize winner or a non-prize winner does not pay the instalments, the question arises whether he is to be removed. Even before removal, there is the execution of the promissory note. After removal, notice is given and not prior to removal. Normally one would expect that a notice would be given to the defaulter before his name is removed and another substituted. Here is a case where a defaulter is removed and then notice is given. As regards the promissory note, it 3-40
states that there should be a stipulation as to the remaining instal- p.m.
ments and that otherwise a decree can be passed for the entire amount. But what about mortgages that might have been executed for the purpose of future repayment? There is no provision to cover these cases. There should also be a provision that the stake-holder or the foreman should endorse payments that are made on the promissory note itself. The provision at present only says that a receipt must be given. It will not do.

There is one other point which I wish to refer to. There is provision for penalty made in clauses 58 and 59. I can understand composition in other matters and not in a case contemplated

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in clause 58 (3). If there is a false declaration by the stake-holder or the foreman in regard to certain matters, it is stated, it could be compounded. I do not know whether it is proper to allow a thing of that kind here where a false statement is made. Then, what is the composition that could be effected? What is the money compensation that can be collected from him? Therefore, it would be wholly wrong to allow compounding in a case where there is false declaration made by the stake-holder or the foreman.

I have already stated that this Bill is very much in favour of the stake-holder rather than in favour of the subscriber. The subscriber is entitled to look into the accounts of the chit and ascertain the real position of the chit fund or his own dealings. Here a fee of five rupees can be collected for inspection. What I would like to submit is, at least in the rules provision should be made to meet the points I have made, especially in regard to the Evidence Act. I should think the burden should not be thrown absolutely on the subscriber in a matter where the stake-holder is at a great advantage. He can always dominate because he maintains accounts. So, provision should be made in the rules at least to see that the subscriber is not defrauded in any manner.

* **Sri K. V. RAMASWAMY** : கனம் அவைத் தலைவர் அவர்களே, இப்போது இந்த சிட் பண்டு விஷயத்தைப்பற்றி நான் இரண்டொரு வார்த்தைகள் தெரிவித்துக்கொள்ளக் கடமைப் பட்டிருக்கிறேன். இந்த சிட் பண்டு என்பதை கிராமங்களிலே ஏலச் சீட்டு என்று சொல்வார்கள். அது போல பல ரூபங்களில் கிராமங்களிலே இது வழங்கிவருகிறது. அதனை நல்ல முறையில் நடத்துவதற்கு சர்க்கார் இப்பொழுது நடவடிக்கை எடுத்து வருகிறார்கள். ஜனங்களுக்கு அனுகூலமான முறையில், அவர்களுக்குப் பயன்படும் நோக்கத்தோடு, இதனை நடத்திக் கொண்டு வருவது மிக முக்கியமானதாகும். கிராமங்களில் சில வீடுகளிலே கணவனுக்குத் தெரியாமல் கூட சில சீட்டுகளை நடத்துகிறார்கள் பெண்கள். அதற்கு எந்தவிதமான ஒரு ஆதரவும் கிடையாது. அதனால் அப்படி சீட்டுப் பிடித்து நடத்திக்கொண்டு வரக்கூடியவர்கள் சில சமயங்களில் மாயமாக மறைந்துவிடுகிறார்கள். அப்பொழுது அந்த சிறிய தொகைகள் பாழாகிவிடுகின்றன. அவர்கள் எந்தக் காரணத்திற்காக நடத்தினார்களோ அது நடைபெறாமல் யாருக்கும் தெரியாமலே கவிழ்ந்துவிடுகிறது. போடுபவர்களுடைய பணம் பாழாகிப்போகிறது. அந்த முறையிலே ஒவ்வொரு இடத்திலும் பார்க்கும்போது பல வகையிலே நஷ்டங்கள்தான் ஏற்படுகின்றன. எங்கோ ஒருவர் இருவர் நல்லவர்களாக நடத்திக்கொண்டு வருகிறார்கள். அதனைக் கண்காணித்து நல்ல முறையில் அதை அமைக்க முடியுமென்பதுதான் இதிலிருந்து தெரியவருகிறது. இப்பொழுது கிராமங்களிலே கொஞ்சம் கொஞ்சமாக சிறு சேமிப்புத் திட்டத்தைக் கையாண்டுவருகிறார்கள். அதிலும் இன்னும் பல கிராமங்களுக்கு அது தெரியாமல் இருந்து கொண்டிருக்கிறது. சிறு சேமிப்பு முறை மிகவும் நல்லமுறை.

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இந்த மாதிரி சீட்டு மூலமாகவும் சில கிராமங்களில் நடத்துகிறார்கள். நூற்றுக்கு இரண்டு மூன்று பேர்கள் நல்ல முறையில் நடத்தி அதன் மூலம் ஊதியம் அடைந்து, பணம் போடுகிறவர்களுக்கும் நல்ல முறையில் பயன்படும்படி நடத்திக்கொண்டு வருகிறார்கள். அப்படி நல்ல முறையில் நடத்தினால் நாட்டினுடைய நலனுக்கும் மக்களுடைய சேமிப்புக்கும் மிக ஒத்தாசையாக இருக்கும். ஆகவே அதை நல்ல முறையில் பயன்படுத்தி மக்களுக்கு அனுகூலமான முறையில் செய்யவேண்டியது சர்க்காருடைய கடமை. அதனால் இப்பொழுது சர்க்கார் மிகவும் கவனம் செலுத்தி ஏழை மக்களுக்கு நல்ல வாய்ப்பு தரும் முறையில் இதனை நடத்துவது உசிதம் என்று கருதி அதற்காவன செய்கிறார்கள். அதனை மனப்பூர்வமாக ஆதரிக்கிறேன்.

SRI K. BALASUBRAMANYA AYYAR: Sir, in the matter of approach to this Bill, I want to say a few words. Chit fund transactions throughout the country are based on mutual trust and confidence. A number of people join together and give subscriptions and the stake-holder who commands some reputation conducts the chit. That is how chits are conducted throughout the country. Agriculturists also conduct chits. It is very common in Tirunelveli district and in Malabar, so far as I know. Therefore, we should not make provisions of an elaborate nature so that no chit funds would be conducted hereafter. That is my general impression. Once the Bill is passed, immediately by-laws have to be framed. For that purpose, they must go to a lawyer or draftsman. Otherwise, we will get into difficulties. I won't say lawyers; some adviser should be there to draft the by-laws. We must keep accounts, record proceedings, write minutes and do so many other things. I am afraid, the ordinary transactions in villages will soon disappear. (Sri Mohamed Raza Khan: They will be there in spite of this Act.) Let us take the Companies Act. There I find that there are 796 offences committed. I counted them and everything is an offence there. Still people are doing it. 'I am prepared to sacrifice my life for the sake of money'. That is the idea which we have put before our country- 3.50
men now. Therefore it is, I am saying that the whole procedure p.m.
should be simplified. That is my general view. I do not want to go into details of the various provisions of the Bill now.

Think of the large staff that one has to employ to run this chit. You have a Director of Chits, a Registrar of Chits, then a number of auditors, a chief auditor and so on. These are contemplated in the Bill. We are going to have a huge establishment. Probably the Government may also ask the Registrar of Companies to look after this. The Registrar is having so much work even in regard to the companies that he is not able to attend to all of them. If the Goverment add these Chit Funds also to him, he will have little time left to attend to his other duties. Then again, I have forgotten to refer to the Inspectors. Balance

sheets have to be framed for these funds. What will a chit fund holder be able to do, I wonder. He must have accountants to prepare the balance sheets to give to the auditors for audit. Then the auditors have to be paid to audit the balance sheet. No auditor will audit the balance sheet without the usual fees. Do the Government mean to think that the Chit-holder can pay for all these things?

Government must have some imagination in trying to regulate these chit funds. The chits are small transactions. Only rarely they are big transactions. They are transactions involving Rs. 20 or Rs. 30 or Rs. 40 and so on and not more than that. Ordinarily it is the case. Now the stake-holder has become the 'foreman'. They have put the definite article 'the' in defining the foreman. It might be a printing mistake. I will refer to it on another occasion. The stake-holder is called the foreman under the Bill. Now under the Bill he is being asked to bear so many charges resutling from so many accounts being kept. He will find himself in difficulties. If the provisions of this Bill are enforced, what I am afraid is, these small chit transactions will no longer take place. They will have to close down. Only big chit transactions can afford to remain if this varied and complicated accounting procedure is to be enforced. Everywhere in the Bill I find it stated that everything must be put down in writing. Then for certain offences, for breach of some of the provisions in the Bill, the penalty is imprisonment. In the case of the Companies Act, it might be desirable. But I would like to ask whether it is necessary in the case of small chit transactions unless they are very grave offences. For dealing with grave offences. we have got the Penal Code and the Criminal Procedure Code. They will take care of those people who commit such offences. These provisions imposing a penalty of imprisonment in this Bill are not therefore necesasry. (Interruption.) If they are false, he could be prosecuted. But if we compound, I do not know whether he will escape. He might be acquitted in some cases. The Penal Code is there so far as these offences are there. And again if the Government go on multiplying all these proceedings, they will be hitting so many other sections of the Code. I have not gone into the question in detail and therefore I do not know how many of the other sections in the Code will be hit. Therefore it is we have asked for time to give notice of amendments to the various clauses of the Bill and to discuss them.

SRI T. P. SRINIVASAVARADAN : What protection would the hon. Member suggest to safeguard the interests of the subscribers from unscrupulous people?

SRI K. BALASUBRAMANYA AYYAR : There are unscrupulous men all around us. And there is the Penal Code to deal with them. If we go on saying that people are unscrupulous and take away money from the banks, nothing will function. To deal with such things, they have the moratorium and so on. To say: 'You have unscrupulous men. Therefore you should have no

business and nothing should be done ' will not help anybody. There are sharpers all around us, and does the hon. Member think we can protect ourselves completely against them? Then most probably we must have no transactions at all. It would be better to stop all such transactions. A general fear like that is not good.

These chit fund transactions are taking place throughout the country not on account of any special Five-Year Plans that the Government have drawn up. These transactions are going on in the country on account of the fact that the people would like to have a large sum of money at a time of need by paying small subscriptions periodically. For instance a man may be paying Rs. 10 a month or so and gets a prize amount of Rs. 1,000 to meet a domestic want or other transaction. It is good for him. It is like a savings deposit. It is only for that purpose that the chit transactions have come into existence. They came into existence because people felt that they had no large cash with them and therefore they should provide for a contingency. And therefore time is of the essence in all these transactions. And therefore it is that the whole of the amount is paid when the chit is prized by a subscriber. There is provision for that in the Bill, and so far as it goes it is all right.

But Sir, my plea is whether the Government should prescribe such an elaborate procedure and all that requiring the foreman to put down everything in writing, to draw up the balance sheet and so on and so forth. It will be all right in the case of banks. But in respect of these small chit transactions, it will create difficulties because they cannot afford to have a large establishment like the banks. Then, so far as the chit transactions are concerned, they are conducted by private individuals, and they cannot afford to have a large establishment. If the provisions of the Bill are enforced, it will have a deleterious effect on the transactions themselves and the progress of the chit funds. If the Government do not want these chit funds, they could as well close them down completely. If it is felt that all these people are dangerous people and they walk away with the money of the subscribers, then it is better that the Government stop these transactions altogether. It is no good having a Bill which will have the effect of smothering or strangling these chit transactions. That is the general idea and feeling I had when I read through the various provisions contained in the Bill. I do not for a moment say that there should be no protection at all for the subscribers. I do not say that the stake-holder should not be asked to give sufficient security. I am not saying these at all. I am only saying it is not necessary to have this elaborate procedure and the huge staff that is necessary to comply with the various provisions contained in the Bill. It will be very difficult to fully implement all these things. I shall be thankful if the Government can simplify the procedure to some extent. Let us have a little more nebulous procedure which may not entail the stake-holder employing a huge establishment of accountants, auditors

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and so on. Then there is a procedure which is also cumbersome. First the foreman has got to register his by-laws. Then for the commencement of the chit he has to obtain a certificate. If he fails to do any of these there is provision to penalise him. I think one final registration will do. As it is, the Government put a spoke in the wheel and this will create a lot of difficulties to the foreman who conducts the chits. If all this elaborate procedure is to be observed, why have a foreman at all? The foreman is there because he thinks he can profit a little by undertaking to conduct the chit. If the Government think he should not make any profit, they could as well undertake this task of conducting the chits. The foreman takes the trouble to help people and get some profit in the process. That is the way of the world. If the Government were to impose so many restrictions and require the foreman to employ a huge staff, the expenses will go up considerably and the deductions and discounts from the subscriptions will be much greater.

4-00 p.m. (Deputy Chairman in the Chair.)

We have to take that also into consideration. I can understand some small discount being paid and deductions made on that account. We cannot go on swelling the expenses. Just as they said in the case of the Pawn Brokers Act, they cannot have so many clerks, accountants, etc. Did they not say so, Mr. Raza Khan? (Sri Mohamed Raza Khan: Surely). Similarly in the chit fund transactions also, we seek to prescribe an elaborate procedure that would entail much establishment charges. Nobody will then come forward to conduct chits. Therefore, from a sympathetic point of view the whole thing should be considered. If we simplify the procedure and say that one application will do, after taking all the steps for the purpose, that will meet the needs of the situation. Prescribing a time-limit of one week or fourteen days, and prescribing penalties for contravention of the limit set, are all cumbersome. These provisions not only have the effect of deterring people from conducting chits, but they will also have the effect of killing the chit fund system altogether, because there are so may officers—Inspectors and others—who came into the picture. Therefore it is that I am pleading for a simplification of the procedure and for making the people not to resort to these officers. These are the things that I want to say on this Bill.

SRI MOHAMED RAZA KHAN: Sir, I feel there is a cause for bringing in this Bill. The need for it arose because of a reference to the High Court and the judgment of the High Court thereon. That is the reason why the Leader of the House has brought forward a legislation of this type.

Sir, we appreciate the principles of the Bill. There is absolutely no difference of opinion on that account. In the second place, if the Leader of the House in charge of the Bill, would not take it amiss, I may say that he is anxious to bring in as many social legislations of this type as possible. During his regime as Minister for the last five years, he has brought

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forward many pieces of social legislations, and they are all to his credit. I do not know how many more will he bring before this House within the year that is to follow, during which he will continue here as the Leader of the House or as the Minister for Industries. Next year we do not know what will happen—whether he will go to U.N.O. or the Centre. This is beside the point.

Sir, I am in entire agreement with all that Mr. Balasubramanya Ayyar said. The necessity for this Bill may be there. The idea may be good. But we must see the practical side of things. If I look at the practical side of it, I am afraid that this legislation may not serve the purpose for which it is brought forward. Clause 1 (3) says—

"It shall come into force on such date as the Government may, by notification, appoint, and different dates may be appointed for differet areas and for different provisions of this Act". "Different areas" and "different dates" are mentioned in this clause, because the Hon. Minister is well aware of the difficulties which will arise in various places. Therefore he wants to be on safe ground. When I say that the Hon. Minister is anxious to bring in as many social legislations as possible to his credit, no doubt I am reminded of what happened to the previous measures. I am one of those who believe strongly that it is very easy to enact laws but invariably difficult to give proper effect to them. Take the Bill that was passed in this very House about the beedi industry in the City of Madras. The idea was all right. The principle of the Bill was all right. Practically nobody could object to it. But once the Bill became law, we found so many difficulties. It may be that certain provisions are not practicable. Certain difficulties arose or people in charge of the manufacture of beedis were not prepared to co-operate with the Government. Therefore, I am telling the Leader of the House that a Bill might be brought forward with the best of intentions, but in actual working it may be found to be impractical. That is why the Government have taken power under clause 1 (3) to bring this legislation into force in different places on different dates. I leave the matter at this.

Just now reference was made to the Money Lenders Act. The Money Lenders Bill was brought forward somewhere in 1956. After going through the Joint Select Committee, which devoted considerable time and attention, it was passed in the other House and also in this House. But what is the effect? Could anybody honestly say that in the City of Madras this high rate of interest of 12 per cent per month or two annas per rupee per month had been stopped? Are there not people carrying on business to the extent of lakhs of rupees charging interest at 10 or 12 per cent per month? The interest works at the rate of two to four annas per rupee per month. The average is ten to twelve per cent per month. The Government passed that Bill, but the people knew

how to contravene the provisions therein, and how to make themselves safe. Can the Government say that the Act, passed after so much discussion, is being worked properly and that the high rate of interest or usurious rates of interest have stopped, particularly in the City of Madras? Therefore, I am afraid that this Bill, though very good on principle, might meet with the same fate, which I do not wish.

I do concede that as per the report of the Joint Select Committee and also as per the statement of the Hon. the Leader of the House in moving the motion for the consideration of this Bill, certain changes of a big order were made. Chits are classified under two or three heads. Let us try to understand where we stand. One kind of chit is that run by big firms and companies like Balussery, whose advertisements we see in the press. It is quite possible that this Bill is applicable to them. They may have the necessary resources. They may have the necessary finances or they may have as many subscribers as possible, and they may run chits more as a business proposition and earn money. Surely it will be within their power to deposit fifty per cent of the chit amount with the foreman or to pay five per cent to the Government, and otherwise strictly carry out the provisions of this Bill. There is another class of chits. People coming under this class conduct chits as a business proposition. I concede that the Government are anxious to see that people do not fall a victim to the chits run by unscrupulous persons. Unscrupulous persons make a show of running the chit for two or three months, and then the chit fund collapses. Two or three men who had the chits are happy and the rest of the subscribers become unhappy. Sir, I have not subscribed to any chit so far. But I know that in every village and in every industrial concern hundreds of chits are being organised day in day out, which is a fact known to the Government, purely as a business proposition. Because, the person who organises the chit—he or she—I am told it is now conducted mostly by women in villages—appropriates the first chit. This is one advantage. Then he charges ten per cent on the bid amount, which pays his expenses. Therefore chits of above Rs. 100 are a common feature in the City of Madras, in every street, in every house, and in every locality, and more so in industrial concerns. I do not know whether the Leader of the House had any occasion to visit any of the industries on the day when salaries are disbursed to the workers. On that day we see large groups engaged in the chit fund transactions. How are the Government going to stop these? According to the report of the Joint Select Committee, any chit, which is under Rs. 100, is exempted. So far so good. Suppose there are hundreds of chits below Rs. 100, how will the Government stop them? Then, Sir, clause 56 deals with penalties. The Government expect the organisations to have records and show them to the officers. But, they will run the chits without any records. They know the persons who contribute every month, and they will carry on their transactions. They know who have taken the chits and who have to pay. On what basis will the Government prosecute them? My whole submission, Mr. Deputy

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Chairman, is this. If people do not follow the various provisions in this Bill, do not register the by-laws, and still carry on chits of over Rs. 100, how will the Government control them? These people do not keep records. A chit of a thousand or two thousand rupees is carried on generally by a group of ten or twelve people. How will the Government control them? The chit amount may be a thousand. All the subscribers are allowed to bid. Whoever discounts it by the largest amount, gets the chit. That is all right. Your idea is only to prevent that. All that I wish to point out is that there is another type of chits wherein some people join together and auction takes place. Of course, in the other case there is no auction. Only a ballot is drawn and whoever wins gets the chit. I would like the Hon. Leader of the House to clarify what he proposes to do in the case of auction. 4-10 p.m.

Another aspect to which I wish to refer is this. A person on account of sheer necessity knocks down a chit for a small amount. There is also the case of a person who thinks: "This is February and let me take the chit, whatever be the discount; I am not going to pay anything next month, i.e., March and therefter". And so a chit for Rs. 1,000 goes for Rs. 500. Of course, there are chit funds where there is a limit fixed on the maximum bid amount. For example, if the chit amount is Rs. 1,000 no one can bid more than Rs. 250. Some such provision should be found in the Bill. I shall speak in greater detail about all this when amendments are moved and discussed.

Sir, I may say this in conclusion. The idea behind this legislation may be all right. It is a good social legislation. But in actual working, I have my own doubt whether it will do any good to anyone. Therefore, while I support the Bill, I am afraid some of the provisions may not be workable. There is the penalty clause, clause 56. It says that, if a person violates the provisions of the Act either deliberately or through ignorance, he has to pay a fine or undergo imprisonment up to one year. Of course, the Hon. Leader of the House will say that the alternative is there, viz., fine, and that the Magistrate will invariably fine the man and not send him to jail. Whatever it is, the penalty provided for is rather too severe.

* THE HON. SRI R. VENKATARAMAN: Mr. Deputy Chairman, some basic questions have been raised in the course of the debate, viz., whether it is necessary to have a Bill of this kind nad so on. Nearly ten or twelve years ago, the High Court drew the attention of the Government to the existence of a number of malpractices in chit funds and said that it was for the Government to take steps to see that they were properly regulated. Being a new field, it took nearly ten years for the Government to frame a Bill of this kind. Because of the prevalance of a number of malpractices in the way in which the chits are conducted, it has become necessary to regulate these transactions. In a democracy, we hear only people who have

the power to shout. The chit conductors or foremen have the power to shout now. But the poor subscriber who is spread all over the area and who takes the loss as divine dispensation is not heard at all. I have known cases, both as a lawyer in the Small Causes Court in Madras when I first started practice and also subsequently, in which the subscribers have had to suffer at the hands of any number of unscrupulous chit conductors. I have also known cases *vice versa* in which many chit conductors have had to suffer at the hands of unscrupulous subscribers who have, without giving any security, walked away with the chit money and made the chit fund come to ruin. This Bill is intended to protect both, the subscriber from the unscrupulous or inefficient foreman and the foreman from the unscrupulous subscriber who walks away with the prize amount. Therefore, it is necessary to have a Bill of this kind. There is also another reason which I wish to submit. As long as a man carries on business with his own money, I believe the State has no authority to intervene. But the moment the man takes others' money and does business, I think it is the State's business to see that the interests of the people concerned are safeguarded. For instance, in banks the bulk of the business is transacted with others ' money. So also in limited companies business is done with the shareholders' money. Similarly, in chit funds also the business is carried on with the subscribers' money. Therefore, it is absolutely necessary to have a law of this kind. I am quite sure that when you look at this Bill from this point of view, you will find that a Bill of this kind is not only justified but even necessary. We have taken care to see that the Bill does not immediately weigh very hard on the people who carry on the chit transactions. We have said that small chits of less than Rs. 100 need not be registered. They are, therefore, outside the purview of this legislation. We have already said that notwithstanding the amount of the chit, if there is no deduction and the entire chit amount is taken by the subscriber, it is not a chit. There are a number of transactions of a commercial character in which businessmen join together and there is no commission taken by any one and no auction either. Money is given according to the needs of the businessmen or by drawing lots. We have said these cases will not come within the purview of the Act. I wish to draw the attention of hon. Members to the illustration given under sub-clause (*b*) of the Definition clause. Sir, this Act is already in existence in the neighbouring State of Kerala and also in our own district of Kanyakumari. The provisions of the Kerala Act are far more stringent than the provisions of this Bill. The Kerala Act requires that the security should be equal to the chit amount in cash or twice the chit amount in the case of property furnished as security. The justification which we feel for bringing in all these regulations is that once we concede that some regulation is necessary, that regulation should be so adequate as to cover all cases. If we agree that regulation is necessary then the law has to be meticulously careful to see that every kind of transaction is covered. Otherwise, if we make a cursory provision and do not provide for all contingencies, then the scope

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for evasion will be very great. I can understand an honest difference of opinion. If it is said that we need not have a law like this and that chit transactions can go on as they have been going on, it is understandable. But once it is conceded that an Act is necessary to protect the subscribers and the foreman, then the law has got to be adequate to cover all the existing cases. That is why we have said that before a person asks somebody to subscribe to the chit fund, he must first register the by-laws. Even today no chit is conducted without the necessary by-laws. The hon. Member Sri Balasubramanya Ayyar has said that there are meticulous rules and regulations which seem to fetter the hands and feet of the foreman. As I said even today every foreman has a by-law and he has to have it. Without it he cannot conduct a chit. All that we now say is, before he asks some people to join the chit fund, he should register the by-laws, so that he cannot make unilateral changes without the other side knowing the changes. Therefore, we say, 'First register the by-laws'. Then, after he has furnished the security and complied with the provisions of the law, he must get a certificate of commencement and then proceed to transact the business. The foreman should not draw or conduct a chit business before getting a certificate of commencement which in fact is notice to the subscribers that all the formalities of the law have been complied with. Otherwise, subscribers who may be distributed throughout the State may not know whether the foreman has complied with the law or not. So, it is necessary to have all these regulations. I do not think that they are so very heavy as was sought to be made out. In actual working they will all be found to be simple because the sub-registrar may probably be the Registrar of chits in the taluk or in the area of registration. Then the Director of Chit Funds will be one of the officers who controls and manages all the affairs connected with the Chit Funds at the State level. Then we have also provided an alternative to the foreman to have his own auditor under the Company Law. So we have taken into account all these difficulties in the working of the Bill and provided for them already.

4-20 p.m.

Then, Sir, my hon. Friend Sri Mohamed Raza Khan referred to some other legislation which has not been implemented. Even in that enactment, it was provided that it will be implemented only in stages. We said that it might be introduced in certain areas in the first instance and then extended to the other areas and that different dates might be given for the coming into force of the Act in different parts of the State. Actually for instance the Act to regulate conditions in the Beedi industry had done a lot of good to the beedi workers. It has brought them higher wages. It has brought them under registration. The Act is not applied *in toto*. It is being enforced by stages, step by step, and the first step of registration is going on. My hon. friend has only to wait for some months, or may be about a year, when the other clauses of the legislation will be put into force. If he wants to bring all the clauses into force at the same time, . . .

SRI MOHAMED RAZA KHAN : Even though I do not want to take credit for it, I should say the particular clause to enforce the provisions of the Bill in stages was introduced in the legislation on the suggestion made bu us.

THE HON. SRI R. VENKATARAMAN : We want to enforce it step by step. That is the idea of the Government and that is what I stated in the Select Committee also. Therefore it is wrong to say that we enact a legislation but do not enforce it. That was the impression created in the House when the hon. Member Sri Raza Khan spoke. I say it is not so. The very intention of the legislations of this kind is to bring them into force slowly and progressively. And that is being done in the case of the legislation regarding the Beedi industry. Registration has now started and it will take some time before we introduce the other provisions with regard to industrial premises. Without registration we cannot ask everybody to have industrial premises. If we did that, there will be confusion. We do not know who is the person who has got the register and who has got to put up the premises and so on.

In regard to this legislation, we have already an Act in operation in the Kanyakumari district. Probably this legislation will come into force there, and in the neighbouring district of Tirunelveli, for instance, first. The people there are familiar with this type of legislation. They will come under the operation of the Act immediately. And then we will go on extending the legislation to various other places. So, far from being a weakness, I say this is a strength to the very legislation.

Then, Sir, the hon. Member Sri Seshachariar raised a number of points.

SRI MOHAMED RAZA KHAN : When it is convenient and helpful the Hon. Minister refers to the legislation regarding the Beedi industry and contends that enforcement by stages is a strength rather than weakness. But may I not refer in this connection to the Money Lenders Act? Can anybody say that that legislation is being enforced properly and that the money-lenders are not charging exorbitant rates of interest now? What have the Government done to control these money-lenders and the exorbitant interest charged by them?

THE HON. SRI R. VENKATARAMAN : Sir, I have a habit of passing over things with which I am not familiar. (Laughter).

SRI MOHAMED RAZA KHAN : I do not wish to stress my point further, Sir.

THE HON. SRI R. VENKATARAMAN : Sir, certain points were raised by the hon. Member Sri Seshachariar. He asked 'Why is there not a provision for notice to the defaulters?'. The way in which the chit now operates is as follows. Persons are asked to pay their subscriptions every month before a particular date. If they do

not pay, then the foreman removes the subscriber from the chit automatically. He gets a substitute also. Now we have said that it is open to the foreman to remove the subscriber from the list and if he does so, then he must give notice. The fact that the subscriber has committed default enables the foreman to take action. If the subscriber thinks that it is wrong, that his removal from the list is wrong or erroneous, then he can go on appeal. No foreman will remove the name of a subscriber who has paid his subscription. The only ground on which the subscriber can be removed from the list is that he has not paid his subscription.

SRI M. SESHACHARIAR: Then, where is the need for an appeal against removal?

THE HON. SRI R. VENKATARAMAN: If the removal is for default, it is all right. But in some cases the foreman might have dodged to receive the money sent by money order in order to eliminate the subscriber. Therefore we have provided against possible misuse or abuse by the foreman and therefore we have said in rare cases he may go on appeal. Only in such cases where the subscriber has complied with the rules and still finds he has been erroneously and maliciously removed from the list, he will go on appeal. Otherwise he cannot go on appeal. If he has not paid his subscription, on what ground can he go on appeal? Therefore this is the correct thing to do. If every time the foreman has to give notice before he removes the name of the subscriber from the list, then it will be difficult for the foreman to conduct the chit. We have not made any change in the existing practice but we have provided an alternative and an additional remedy by way of appeal to the Registrar so that if there is any malpractice on the part of the foreman, it can be rectified.

Another question with regard to the promissory note was raised. We have provided in clause 25, 'that if any such suit is upon a promissory note, no decree shall be passed under this sub-section unless such promissory note expressly state that the amount due under the promissory note is towards payment of subscriptions to the chit'. This is also what I explained in the Select Committee. In my own experience I have known people who have executed promissory notes either as security for future subscriptions or for payment of instalments with the usual phraseology 'for value received in cash'. If that phraseology is adopted, the court will give a decree immediately saying that it is an ordinary suit on an ordinary promissory note. In order to protect the interests of the subscribers, the legislation has provided that in all these cases where a foreman takes a promissory note for the future subscriptions, it must specifically mention that it is for future subscriptions. Now a question may be asked: "Suppose the foreman still wrongly takes a promissory note and adopts the usual phraseology 'value received in cash'." In that case, the subscriber can always prove to the court that this was in respect of a 4.30 p.m.

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chit fund, and that can be proved by a number of circumstances, namely, (1) the fact that he is the foreman, (2) auction was held, (3) the date on which the promissory note was executed is contemporaneous with the drawing of the chit, and (4) the Minutes Books of the chit fund will show who was the prize winner and the amount drawn. He will be hemmed in by different kinds of evidence which are provided for under this Bill. Therefore we feel that there will be no difficulty and there will be no conflict with the Evidence Act. Whenever a person pleads that it is not for consideration, he can always plead so even in the case of an ordinary promissory note. The burden of proof is on the subscriber as is also the case in other matters.

Then, Sir, it was asked 'Why compounding of offences has been allowed?'.

SRI T. P. SRINIVASAVARADAN : Mr. Seshachariar said that each payment of monthly instalment should be noted on the back of the promissory note. Instead of issuing receipts, on the back of the promissory note itself, the payments should be endorsed.

THE HON. SRI R. VENKATARAMAN : It may be done either way. It can be done both ways. For instance, a subscriber can insist that all payments should be endorsed on the promissory note itself, and he is entitled to get this done under the Negotiable Instruments Act. In any event, he is bound to get a receipt, and that receipt will be evidence of payment of the future subscriptions. Even this legislation, which is comparatively simple has been complained of by Mr. Balasubramanya Ayyar as being cumbersome. If we go on providing that it shall be obligatory on the part of the foreman to endorse every payment on the promissory note, there will be no limit to the regulations that will have to be made. It is up to the subscriber to ask for the endorsement on the back of the promissory note. In any event the law has provided for receipt for every payment, and that receipt will be valid in any future proceedings. Absolute protection is given because the promissory note will show that it is in respect of a chit fund and the receipt also is in respect of a chit. Therefore there will be no conflict of evidence and difficulty of proof.

Then, Sir, I come to the compounding of offences. If we look at the clause, we will see that there two types of offences. One type of offence is the carrying on of the business without furnishing security or getting a certificate of commencement and so on. Then there is the other type of offence in which there may be procedural defaults like not filing a return and so on. We have given discretion that in this latter category of offences, the authority may compound the offences. The authority will not compound a major criminal offence. It is wrong to imagine that the authority would do it. But unless we provide for this sort of offences, every small offence like the failure to furnish returns, failure to file statements,

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etc., will have to be punished. It is not necessary to punish these offences. Therefore compounding of offences has been permitted in these cases.

I hope, Sir, that with this explanation, the House will accept the motion for consideration of this Bill.

DEPUTY CHAIRMAN : The question is—

'That the Madras Chit Funds Bill, 1961 (L.A. Bill No. 5 of 1960), as passed by the Legislative Assembly, be taken into consideration'.

The motion was put and carried.

DEPUTY CHAIRMAN : The House will now adjourn and meet again at 3 p.m. on Thursday, the 23rd February 1961.

The House then adjourned.

VI.—PAPERS LAID ON THE TABLE OF THE HOUSE.

* 187. *Guide Book on Panchayat Development in Madras State.*

188. *Administration Report on the Madras State Electricity Board for the year* 1958-59.

† 189. *Tenth Report of the Committee on Subordinate Legislation of the Madras Legislative Assembly.*

190. *Notification issued with G.O. Ms. No.* 3341, *Home, dated* 22*nd October* 1960, *regarding amendment to the Madras Motor Vehicles Rules*, 1940.

† 191. *Notification issued with G.O. Ms. No.* 5710, *Industries, Labour and Co-operation (Labour), dated* 10*th December* 1960, *exempting all the beedi industrial premises in the State and the employees employed therein from the provisions of sections* 18, 21, 26, 27 *and* 31 *of the Madras Beedi Industrial Premises (Regulation of Conditions of Work) Act*, 1958 (*Madras Act XXII of* 1958).

192. *Report of the Committee of Parliament on Official Language (Tamil Version).*

† 193 and 194. *Notifications issued by the Regional Inspectors of Municipal Councils and Local Boards, Ramanathapuram and North Arcot disctricts, relating to certain panchayats in the Ramanathapuram and North Arcot districts respectively.*

† 195. *Notification issued with G.O. Ms. No.* 3741, *Industries, Labour and Co-operation (Labour), dated* 29*th July* 1960, *regarding amendments to the Madras Factories Rules*, 1950.

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196. *Notification issued with G.O. Ms. No.* 4121, *Home, dated* 13*th December* 1960, *cancelling the Home Department Notification No.* 772, *dated* 7*th September* 1954, *published in the* Fort St. George Gazette, *dated* 22*nd September* 1954 *and making amendments to the Notification No.* 323, *dated* 26*th March* 1955, *published in the* Fort St. George Gazette, *dated* 13*th April* 1955.

†197. *Notification issued with G.O. Ms. No.* 5729, *Industries, Labour and Co-operation (Labour), dated* 12*th December* 1960 *regarding exemption for a period of one year from the date of publication, namely,* 28*th December* 1960, *the "Gramodyog Canteen" run by the Khadi Gramodyog Bhavan, Madras, from all the provisions of the Madras Catering Establishments Act,* 1958 *(Madras Act XIII of* 1958).

† 198. *Notification issued with G.O. No.* 5199, *Revenue, dated* 17*th December* 1960 *exempting all dealers dealing exclusively in green tea leaves from the operation of sub-section* (2) *of section* 20 *of the Madras General Sales Tax Act,* 1959 *(Madras Act I of* 1959) *with effect on and from the* 1*st April* 1960.

†199. *Notification issued with G.O. Ms. No.* 3439, *Home, dated* 27*th October* 1960 *regarding amendment to the Rules for the management of Special Homes and Work Houses in the City of Madras,* 1955.

‡ 200. *Report of the Select Committee of the Madras Legislative Assembly on the Madras State Housing Board Bill,* 1960 *(L.A. Bill No.* 31 *of* 1960).

† 201. *Notification issued by the Regional Inspector of Municipal Councils and Local Boards, Thanjavur District relating to Manakkal Panchayat, Nannilam Taluk.*

§ *Bill passed by the Assembly and received therefrom in the Council* :—

The Madras Chit Funds Bill, 1961 *(L.A. Bill No.* 5 *of* 1960).

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* Circulated to all M.L.Cs. on 18th February 1961.

† Sent by post to all M.L.Cs. on 10th February 1961.

‡ Laid on the Table of the House on 31st January 1961.

§ Sent by special messengers and by post to all M. L. Cs. on 10th February 1961.

LEGISLATIVE ... TRUTH ALONE TRIUMPHS

APPENDIX.

[Vide item V on page 293 supra.]

(L.A. BILL No. 5 OF 1960.)

As passed by the Assembly

A Bill to provide for the regulation of chit funds in the State of Madras.

WHEREAS it is expedient to provide for the regulation of chit funds in the State of Madras;

BE it enacted in the Twelfth Year of the Republic of India as follows :—

CHAPTER I.

PRELIMINARY.

1. *Short title, extent and commencement.*—(1) This Act may be called the Madras Chit Funds Act, 1961.

(2) It extends to the whole of the State of Madras.

(3) It shall come ino force on such date as the Government may, by notification, appoint, and different dates may be appointed for different areas and for different provisions of this Act.

2. *Definitions.*—In this Act, unless the context otherwise requires.—

(1) " approved bank " means a bank approved by the Government;

(2) " chit " means a transaction whether called chit fund, chit, kuri, or, by any other name, by which its foreman enters into an agreement with a number of subscribers that every one of them shall subscribe a certain sum or a certain quantity of grain by instalments for definite period and that each subscriber in his turn as determined by lot or by auction or by tender or in such other manner as may be provided for in the agreement, shall be entitled to a prize amount;

Explanation.—A transaction is not a chit within the meaning of this clause, if in such transaction—

(*a*) some alone, but not all, of the subscribers get the prize amount without any liability to pay future subscriptions; or

(*b*) all the subscribers get the whole of the chit amount by turns with a liability to pay future subscriptions.

Illustration.—There are 100 subscribers to a chit and the subscription by each of them is Rs. 10. All the subscribers get by turns Rs. 1,000, being the whole of the chit amount and are liable to pay future subscriptions. The transaction falls within clause (*b*) of the above Explanation and is not a chit;

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(3) "chit agreement" means a document containing the articles of agreement between the foreman and the subscribers relating to the chit;

(4) "chit amount" means the sum total of the subscriptions payable by all the subscribers for any instalment of a chit without and deduction for discount or oherwise;

(5) "defaulting subscriber" means a subscriber who has defaulted in the payment of subscriptions due according to the terms of the chit agreement;

(6) "discount" means the sum or the quantity of grain, which a prized subscriber has under the terms of the chit agreement to forego and which is set apart under the said agreement to meet the expenses of running the chit or for distribution among the subscribers or for both;

(7) "divided" means the share of a subscriber in the discount available under the chit agreement for rateable distribution among the subscribers at each instalment of the chit;

(8) "drawing" means ascertaining of the person or persons entitled to the prize amount at any instalment of a chit;

(9) "firm" means a firm regisered under the Indian Partnership Act, 1932 (Central Act IX of 1932);

(10) "foreman" means the person who under the chit agreement is responsible for the conduct of the chit and includes any other person discharging the functions of the foreman under section 30;

Provided that no firm shall be a foreman unless such firm is registered under the Indian Partnership Act, 1932 (Central Act IX of 1932);

(11) "Government" means the State Government;

(12) "non-prized subscriber" does not include a subscriber who has defaulted in the payment of subscriptions due according to the terms of the chit agreement;

(13) "prize amount" means the difference between the chit amount and the discount, and, in the case of a fraction of a ticket means the difference between the chit amount and the discount proportionate to the fraction of the ticket; and when the prize amount is payable otherwise than in cash, the value of the prize amount shall be value at the time it becomes payable;

(14) "prized subscriber" means a subscriber who has either received or is entitled to the prize amount;

(15) "Registrar" means a Registrar appointed under sub-section (1) of section 51;

(16) "subscriber" includes a person who holds a fraction of a ticket and also a transferee of a ticket or a fraction thereof by assignment in writing or by operation of law;

(17) "ticket" means the share of a subscriber in a chit.

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CHAPTER II.

CONSTITUTION AND REGISTRATION.

3. *Registration of by-laws.*—(1) Save as otherwise provided in this Act, no person shall start or conduct any chit unless he had registered with the Registrar the proposed by-laws of the chit.

(2) For the purpose of registration, there shall be filed with the Registrar the by-laws of the chit in duplicate signed by the foreman and attested by at least two witnesses.

(3) The Registrar, on being satisfied that the by-laws are not contrary to this Act or to the rules made thereunder, shall issue to the foreman a certificate of registration and such certificate shall be conclusive evidence that the by-laws of the chit therein mentioned are duly registered.

(4) The Registrar shall retain the by-laws of the chit and return the duplicate of the by-laws to the foreman with an endorsement that the by-laws have been registered.

4. *Prohibition of invitation for subscription to chit of which by-laws have not been registered.*—No person shall issue or publish any notice, circular, prospectus or other document containing the terms and conditions of any chit or inviting the public to subscribe for tickets in any chit unless such notice, circular, prospectus or other document, relates to a chit, the by-laws of which have been registered.

5. *Form of chit agreement.*—Every chit agreement shall be in duplicate and shall be signed by the subscribers or by persons authorised in that behalf in writing by the subscribers, and the foreman and attested by at least two witnesses, and it shall contain the following particulars, namely :—

(1) The full name and the permanent residential address of every subscriber;

(2) the tickets held by each subscriber;

(3) the number of instalments and the amount payable in respect of each ticket for each instalment;

(4) the dates of commencement and termination of the chit;

(5) the mode of ascertaining the prized subscriber;

(6) the amount of discount which the prized subscriber as any instalment has to forego;

(7) the mode and proportion in whcih the discount is distributable by way of dividend, foreman's commission and other expenses, if any;

(8) the date, time and place at which the chit is to be drawn;

(9) if under the chit agreement the foreman is entitled to the chit amount, the instalment at which the foreman is to get the chit amount;

(10) the approved bank or banks in which chit moneys shall be deposited by the foreman under the provisions of this Act;

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(11) the manner in which a chit shall be continued, where a foreman who is an individual dies or becomes of unsound mind; and

(12) any other particulars which may be prescribed.

Explanation.—It is sufficient to get the signature of each subscriber on separate copies of the agreement.

6. *Filing of chit agreement.*—(1) Every chit agreement with its duplicate shall be filed with the Registrar.

(2) The Registrar shall retain the chit agreement and return the duplicate chit agreement to the foreman with an endorsement that the chit agreement is filed.

7. *Commencment of chit business.*—(1) No person shall commence any auction or drawing of any chit unless he has obtained a certificate of commencement from the Registrar.

(2) The Registrar shall, on being satisfied that the by-laws of the chit have been registered and the chit agreement has been filed and the security required under section 12 has been furnished by the foreman, grant a certificate of commencement.

8. *Copies of by-laws and chit agreement to be given to subscribers.*—(1) The foreman shall, as soon as may be after he has obtained the certificate of commencement referred to in section 7, but not later than the date of the first drawing of the chit, furnish to every subscriber a copy of the by-laws of the chit and of the chit agreement certified by him to be a true copy.

(2) The foreman shall, within the fifteenth day of the month succeeding the month in which the first instalment of the chit is drawn, file with the Registrar a certificate to the effect that he has complied with the provisions of sub-section (1).

9. *Alteration of chit agreement.*—The chit agreement shall not be altered, added to or cancelled except with the consent in writing of the foreman and all the subscribers to the chit.

10. *Minutes of proceedings.*—(1) Minutes of the proceedings of every drawing shall be drawn up and entered in a book to be kept for that purpose and shall be signed by the foreman and all the subscribers present. It shall also be signed by the prized subscriber or his authorized agent.

(2) Such minutes shall state clearly—

(i) the date and hour when the proceedings began and ended and the place where the drawing was held;

(ii) the number of the particular instalment of the chit of which proceedings are recorded;

(iii) the names of the subscribers present;

(iv) the person or persons who become entitled to the prize amount in the particular instalment;

(v) the amount of discount;

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(vi) full particulars regarding the disposal of the prize amount in respect of the preceding instalment and disposal of unpaid prize amount, if any, in respect of any previous instalment; and

(vii) any other particulars which may be prescribed.

11. *Copy of minutes to be filed with the Registrar.*—Every foreman shall, within the fifteenth day of the month succeeding the month in which one or more instalments of the same chit or one or more instalments of any other chit are drawn, file with the Registrar a copy of the minutes referred to in section 10 in respect of the drawings at all such instalments and certified by the foreman to be a true copy.

CHAPTER III.

FOREMAN.

12. *Security to be given by foreman.*—(1) For the proper conduct of the chit every foreman shall, before applying for the certificate of commencement under section 7,—

(a) execute an indenture of mortgage and trust in favour of the Registrar as trustee charging by way of security property sufficient to the satisfaction of the Registrar for the realisation of the chit amount; or

(b) (i) deposit in any approved bank an amount of cash not less than half of the chit amount, or

(ii) invest in Government securities of the face value or market value, whichever is less, of not less than half of the chit amount,

and transfer the amount so deposited or the Government securities in favour of the Registrar to be held in trust by him as security:

Provided that, where movable property is charged by way of security, only such kind of movable property as may be prescribed shall be so charged and such movable property shall be deposited in such manner and with such person or officer as may be prescribed.

(2) Where a foreman conducts more than one chit, he shall furnish security in accordance with the provisions of sub-section (1) in respect of each such chit.

(3) Subject to the provisions of section 520 of the Companies Act, 1956 (Central Act I of 1956), the security given by the foreman under sub-section (1) shall not be liable to be attached in execution of a decree or otherwise—

(i) until the chit is terminated and the claims of all the subscribers are fully satisfied;

(ii) until all dues payable by the foreman under this Act to the Registrar or any other officer have been paid;

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(iii) where owing to the default of the prized subscriber the prize amount due remains unpaid even after the termination of a chit until the foreman deposits such amount in an approved bank mentioned in the chit agreement and intimates in writing the fact of such deposit to the prized subscriber.

(4) The Registrar shall, after the termination of a chit and after satisfying himself that the requirements under clauses (i) to (iii) of sub-section (3) have been complied with, release the property charged by way of security or order the release of the cash security or the Government securities referred to in sub-section (1) and in so doing, he shall follow such procedure as may be prescribed.

(5) The Registrar may, on the application of any foreman, instead of releasing the security under sub-section (4), accept the same as security in respect of any other chit or chits conducted by the same foreman. If the value or amount of the security so accepted is less than the value or amount specified in sub-section (1), the Registrar shall require the foreman to furnish additional security to make up the deficiency. If the value or amount of such security is in excess of the value or amount required, the Registrar shall release such excess.

(6) Notwithstanding anything to the contrary contained in any other law, the security furnished under this section shall not be dealt with by the foreman during the currency of the chit and any dealing by the foreman with respect thereto by way of transfer, charge, mortgage or other encumbrance shall be void.

13 *The rights of the foreman.*—The foreman shall be entitled—

(*a*) in the absence of any provision in the chit agreement to the contrary, to obtain the chit amount at the instalment specified in the chit agreement;

(*b*) to such commission or remuneration not exceeding five per cent of the chit amount as may be fixed in the chit agreement;

(*c*) to receive and realise all contributions from the subscribers and to distribute the prize amounts to prized subscribers and the dividend among the subscribers;

(*d*) to demand sufficient security from any prized subscriber for the due payment of future subscriptions;

(*e*) to substitute subscribers in the place of defaulters; and

(*f*) to do all other acts that may be necessary for the due and proper conduct of the chit.

14. *The duties of the foreman.*—(1) The foreman shall, on the prized subscriber furnishing sufficient security for the due payment of future subscriptions, be bound to pay him the prize amount:

Provided that the prized subscriber shall be entitled to demand immediate payment of the prize amount after deducting all future subscriptions without any security whatsoever, and in such case the foreman shall, before the date of the next succeeding instalment, deposit in an approved bank mentioned in the chit

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agreement the amount of future subscriptions deducted as aforesaid and he shall not withdraw the amount so deposited except for payment of future subscriptions.

(2) If owing to the default of the prized subscriber the prize amount due in respect of any drawing remains unpaid before the date of the next succeeding drawing, the foreman shall deposit the same forthwith in an approved bank mentioned in the chit agreement and intimate in writing the fact of such deposit to the prized subscriber.

(3) Every payment of the prize amount, the deposit of the amount of future subscriptions under sub-section (1) and the deposit of the prize amount under sub-section (2) shall be intimated to the subscribers at the next succeeding drawing, and particulars of such payment or deposit entered in the minutes of the proceedings of that drawing.

(4) The foreman shall not appropriate for himself any amount in excess of what he is entitled to under clauses (*a*) and (*b*) of section 13 :

Provided that the foreman may appropriate for himself the interest accruing on the amount deposited under the proviso to sub-section (1).

15. *Registers and books of account.*—The foreman shall keep such registers and books of account, and in such form, as may be prescribed.

16. *Balance-sheet.*—(1) Every foreman shall prepare and file with the Registrar in such manner and within such time as may be prescribed, a balance-sheet duly audited either by auditors duly qualified to act as auditors of companies under the Companies Act, 1956 (Central Act I of 1956), or by a Chit Auditor appointed under sub-section (2) of section 51 and relating to the period of account.

(2) The balance-sheet referred to in sub-section (1) shall—

(*a*) contain a summary of the assets and liabilities of the chit; and

(*b*) give such particulars as will disclose the nature of the assets and liabilities and how the value of the assets has been arrived at.

17. *Liability of the foreman to the subscribers.*—(1) Every foreman shall be liable to account to the subscribers for the amounts due to them.

(2) Where there are more than one foreman each one of them jointly and severally or if the foreman is a firm, each one of the partners thereof jointly and severally and if the foreman is a Corporation, the Corporation as such shall be liable to the subscribers in respect of the obligations arising out of the chit.

18. *Withdrawal of a foreman.*—Where there are more than one person as foreman in a chit, none of them shall withdraw from it until the termination of the chit unless such withdrawal is

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assented to by all the non-prized subscribers and unpaid prized subscribers and a copy of such assent has been filed as required by section 32. Such withdrawal shall not, however, affect the security given under section 12.

CHAPTER IV.

NON-PRIZED SUBSCRIBERS.

19. *Non-prized subscriber to pay subscription and get receipt.*—Every non-prized subscriber shall pay his subscription at the time and place mentioned in the chit agreement and shall on such payment be entitled to get a receipt from the foreman.

20. *Removal of defaulting subscribers.*—(1) A non-prized subscriber who defaults in paying his subscription in accordance with the terms of the chit agreement shall be liable to have his name removed from the list of subscribers. Every such removal shall with the date thereof, be entered in the relevant book maintained by the foreman. A written notice of such removal shall be given by the foreman to the defaulting subscriber within fourteen days of such removal.

(2) A true copy of the entry referred to in sub-section (1) shall be filed by the foreman with the Registrar within fourteen days from the date of such removal.

(3) Any defaulting subscriber aggrieved by the removal of his name from the list of subscribers may, within seven days of the communication to him of the notice of removal, appeal to the Registrar.

(4) The Registrar may, after giving the parties an opportunity of being heard, pass such orders on the appeal as he thinks fit and the decision of the Registrar shall be final.

21. *Substitution.*—(1) The foreman may substitute in the list of subscribers any person in the place of a defaulting subscriber whose name has been removed from such list under sub-section (1) of section 20 :

Provided that no such substitution shall be made until the expiry of the period allowed for appeal under sub-section (3) of section 20, or where any such appeal has been preferred, until the same has been disposed of.

(2) Every substitution referred to in sub-section (1) shall, with the date thereof, be entered in the relevant book maintained by the foreman. A true copy of every such entry shall be filed by the foreman with the Registrar within fourteen days from the date of substitution.

(3) All arrears of subscriptions realised from the substituted subscriber, less any amount advanced by the foreman, shall, before the date of the next succeeding instalment, be deposited by the foreman in an approved bank mentioned in the chit agreement. The foreman shall not withdraw the amount so deposited except for payment to the defaulting subscriber.

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22. *Amount due to defaulting subscriber how dealt with.*—When a substituted subscriber draws the prize amount, the defaulting subscriber shall be entitled to recover from the foreman his contributions subject to such deductions as may be provided for in the chit agreement. The foreman shall, on demand made by the defaulting subscriber and on his executing an acknowledgment duly signed, be bound to pay to the defaulting subscriber the amount due to him before the date of the next succeeding instalment. If the defaulting subscriber fails to furnish the acknowledgment as aforesaid, the forman shall, before the date of the next succeeding instalment, deposit in an approved bank the amount due to the defaulting subscriber. The amount so deposited shall not be withdrawn by the foreman for any purpose other than for payment to the defaulting subscriber.

CHAPTER V.

PRIZED SUBSCRIBERS.

23. *Prized subscriber to give security.*—Before receiving the prize amount without deducting all future subscriptions, every prized subscriber shall furnish and the foreman shall take sufficient security for the due payment of future subscriptions and if the foreman is the prized subscriber, he shall give security for the due payment of future subscriptions to the satisfaction of the Registrar.

24. *Prized subscriber to pay the subscription regularly.*—Every prized subscriber shall pay his subscriptions regularly at the time and place and on the date mentioned in the chit agreement and on his failure to do so, he shall be liable to make a consolidated payment of all the future subscriptions at once.

25. *Foreman to demand future subscriptions by written notice.*—(1) A foreman shall not be entitled to claim consolidated payment of all the future subscriptions from a defaulting prized subscriber unless he shall have demanded the same in writing.

(2) If in a suit by a foreman for consolidated payment of future subscriptions from a defaulting prized subscriber, the defendant pays into court on or before the date to which the suit is posted for hearing the arrears of subscriptions till that date together with interest thereon at the rate provided for in the chit agreement or at twelve per cent per annum simple interest whichever is lower, and the costs of the suit for payment to the plaintiff, then, notwithstanding any contract to the contrary, the court shall pass a decree directing that the defendant shall deposit in court for payment to the plaintiff, the future subscriptions on or before the dates on which they fall due and that, in default of payment by the defendant of any future subscription on or before the due date, the plaintiff shall be at liberty to realize in execution all the future subscriptions and interest thereon, less the amount, if any already deposited by the defendant :

Provided that if any such suit is upon a promissory note, no decree shall be passed under this sub-section unless such promissory note expressly state that the amount due under the promissory note is towards payment of subscriptions to the chit.

(3) Any person who holds an interest in the property furnished as security or any part thereof shall be entitled to make payment under sub-section (2).

(4) All consolidated payments of future subscriptions realized by a foreman shall be deposited in an approved bank before the date of the next succeeding instalment. The amount so deposited may be withdrawn only for payment of future subscriptions. When any property is acquired in lieu of the consolidated payment, it shall remain as security for the due payment of future subscriptions.

CHAPTER VI.

TRANSFER.

26. *Restrictions on transfer of right of foreman.*—(1) No transfer of the rights of a foreman to receive subscriptions from prized subscribers shall be made without the previous sanction in writing of the Registrar.

(2) Any such transfer of the rights of a foreman to receive subscriptions from a prized subscriber shall, if it is likely to affect prejudicially the interest of any non-prized subscriber or unpaid prized subscriber, be set aside on application by such subscriber to such officer as may be empowered by the Government in this behalf.

(3) When under sub-section (2) a transfer is disputed by a subscriber, the burden of proving that the foreman was in solvent circumstances at the time of the transfer and that the transfer is not likely to affect prejudicially the interest of any such subscriber is upon the transferee.

27. *Transfer of non-prized subscriber's rights to be in writing.*—Every transfer by a non-prized subscriber of his rights in the chit shall be in writing duly attested by at least two witnesses and shall be filed with the foreman.

28. *Recognition of transfer by the foreman.*—Every transfer under section 27 shall be recognized by the foreman, unless the transferee is not solvent or the transfer was effected with a view to defeat the provisions of any law.

29. *Entry of transferee's name in the book.*—Every transfer made under section 26 or section 27 shall be entered by the foreman in the books of the chit forthwith and a true copy of such entry shall be filed by the foreman with the Registrar within fourteen days from the date of such entry.

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CHAPTER VII.

TERMINATION OF CHITS.

30. *Provisions for continuation of chits in certain cases.*—Where the foreman who is an individual dies or becomes of unsound mind the chit may be continued in accordance with the provisions of the chit agreement.

31. *Termination of chit.*—A chit shall be deemed to have terminated—

(*a*) when the period fixed in the chit agreement has expired, provided payment of dues to all the subscribers has been completed; or

(*b*) when all the non-prized and unpaid prized subscribers consent in writing to the termination of the chit and a copy of such consent is filed as required by section 32; or

(*c*) when a foreman, who is an individual, dies or becomes of unsound mind and the chit is not continued in accordance with the provisions of the chit agreement:

Provided that in the case of a foreman which is a firm, if a partner dies or becomes of unsound mind, the chit shall not be deemed to have terminated and the surviving partner or partners shall conduct the chit in the absence of any provision to the contrary in the chit agreement.

32. *Copy of assent or consent to be filed with the Registrar.*—A true copy of every assent mentioned in section 18 and of every consent mentioned in section 31, with the date of such assent or consent shall be filed by the foreman or by the remaining foreman or foremen, as the case may be, with the Registrar within fourteen days from the date of such assent or consent.

33. *Refund of non-prized subscriber's contributions.*—Except in the cases referred to in clauses (*a*) and (*b*) of section 31—

(*a*) every non-prized subscriber shall, unless otherwise provided for in the chit agreement, be entitled to get back his contribution at the termination of the chit without deduction for dividend, if any, received by him:

Provided that any person to whom the rights of a non-prized subscriber are transferred under sections 27, 28 and 29 shall, in addition to his own contributions, be entitled to get back the contribution made by such non-prized subscriber, subject to the conditions specified in this clause;

(*b*) if the chit terminates on a date earlier than the date originally fixed in the chit agreement, the non-prized subscriber's claim shall be deemed to have arisen on the date on which he has notice thereof.

34. *Subscribers' dues to be first charge on chit assets.*—Where there are debts due from the foreman of a chit in relation thereto and also other debts due from such foreman, the chit debts due to the subscribers shall be a first charge on the chit assets.

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CHAPTER VIII.

INSPECTION OF DOCUMENTS.

35. *Foreman to allow subscriber to examine chit records.*—Every foreman shall, on payment of such fee not exceeding five rupees as may be specified in the chit agreement, allow non-prized and unpaid prized subscribers all reasonable facilities on all days of drawing of chits or on such days and within such hours as may be provided for in the chit agreement for the inspection of security bonds and documents, receipt and other records taken from the prized subscribers or furnished by the foreman himself in his capacity as a subscriber and all chit records including books of account and pass books, the balance sheets and profit and loss accounts and such other records as may show the actual financial position of the chit scheme.

36. *Preservation of chit records by foreman.*—All the records pertaining to a chit shall be preserved intact by the foreman and kept for a period of six years from the date of the termination of the chit.

37. *Inspection of chit books and records.*—(1) (a) The Registrar; or

(b) any officer authorized by the Director of chits in this behalf.

may inspect the chit books and all records after giving due notice in writing to the foreman.

(2) Every foreman shall be bound to produce the chit books and records before the Registrar or the officer authorized under sub-section (1) at the time and place mentioned in the notice and shall furnish such information to him as he may require:

Provided that such inspection may be made at the premises of the foreman if he pays in advance such fees as may be prescribed for the inspection:

Provided further that if the foreman is a banking company as defined in the Banking Companies Act, 1949 (Central Act X of 1949), such inspection shall be made only at the premises of the company and only on a working day and such foreman shall pay such fees as may be prescribed for the inspection.

CHAPTER IX.

WINDING UP OF CHITS.

38. *When chit may be wound up.*—A chit registered in the Presidency-town may be wound up by the Madras City Civil Court and a chit registered elsewhere may be wound up by the District Court having jurisdiction over the place where the chit has been registered—

(a) if the chit has terminated under clause (c) of section 31, or

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(b) if the foreman fails to give the security specified in section 12 or if he commits any such acts in respect thereto as are calculated to impair materially the nature of the security or the value therof, or

(c) if he fails to deposit the chit moneys in accordance with the provisions of this Act, or

(d) if it is proved to the satisfaction of the court that the foreman is unable to pay the amounts due to the subscribers, or

(e) if execution or other process issued on a decree or order of any court in favour of any subscriber in respect of amounts due to him from the chit is returned unsatisfied in whole or in part, or

(f) if it is proved that there has been fraud or collusion on the part of the foreman in the matter of taking securities from prized subscribers, or

(g) if the foreman has appropriated the prize amount in his capacity as a subscriber without furnishing sufficient security for future subscriptions, or

(h) if it is just and equitable that the chit should be wound up.

Explanation.—For the purposes of clause (d), in determining whether the forman is unable to pay the amounts due to the subscribers, the court shall take into account his contingent and prospective liabilities in respect of the chit :

Provided that a chit conducted by a company within the meaning of the Companies Act, 1956 (Central Act I of 1956), shall be wound up only by the court having jurisdiction under that Act.

39. *Winding up application.*—The application to the court for the winding up of a chit shall be by a petition presented by any non-prized subscriber or unpaid prized subscriber or by the Registrar, signed and verified in the manner prescribed by the Code of Civil Procedure, 1908 (Central Act V of 1908), and shall contain such particulars as may be prescribed :

Provided that no application for the winding up of a chit under clauses (d) and (h) of section 38 shall lie unless such petition is presented—

(a) by those non-prized subscribers and those unpaid prized subscribers whose subscriptions to the chit amount in the aggregate to at least twenty-five per cent of the amounts contributed by all the non-prized subscribers and unpaid prized subscribers; or

(b) with the previous sanction of the Government.

Explanation.—For the purposes of the above proviso, a subscriber of a fraction of a ticket shall be deemed to be a subscriber only to the extent of such fraction.

40. *Insolvency or liquidation a bar to winding up proceedings.*—Notwithstanding anything contained in sections 38 and 39, no petition for the winding up of a chit shall be entertained by a court

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if proceedings under the law relating to insolvency for the time being in force are pending against the foreman for adjudicating him an insolvent or when the foreman is a company, if proceedings for winding up the company are pending against such company in a court.

41. *Commencement and effect of winding up order.*—An order for the winding up of a chit shall operate in favour of all the subscribers to whom amounts are due from the chit and it shall be deemed to have commenced from the time of the presentation of the application for the winding up.

42. *Injunction order.*—The court may, upon the application of the foreman or of any subscriber to whom amounts are due in respect of the chit at any time after the presentation of the application for the winding up of a chit under this Act and before the making of an order for the appointment of an Interim Receiver or for winding up the chit, restrain further proceedings in any suit or proceeding instituted against the foreman for the realization of amounts due from the chit upon such terms as the court thinks fit.

43. *Powers of court on hearing the application.*—On hearing the application, the court may dismiss it with or without costs or adjourn the hearing conditionally or unconditionally or make an interim order or any other order that it deems fit.

44. *Chit assets to vest in court for distribution.*—On the making of an order for the winding up of a chit, the entire chit assets shall vest in the court for distribution amongst the subscribers to whom amounts are due in respect of the chit and the court shall pass such orders in the matter (including the appointment of a receiver) as it dems fit.

45. *Suits stayed on winding up orders.*—When a winding up order has been made by a court, no suit or other legal proceedings shall be continued or commenced against the foreman by a subscriber for the realization of amounts due to him in respect of the chit except with the leave of the court and on such terms as the court may impose.

46. *Copy of winding up order to be filed with the Registrar.*—(1) On the making of a winding up order, it shall be the duty of the petitioner in the winding up proceedings and of the Receiver to file with the Registrar a copy of the order within one month from the date of the making of the order:

Provided that the Registrar may, upon application in writing by such petitioner or Receiver allow, in his discretion, further time not exceeding fifteen days for the filing of any such copy.

(2) On the filing of a copy of the winding up order, the Registrar shall make an entry thereof in his books relating to the chit and shall notify in the District Gazette that such an order has been made.

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47. *Stay of winding-up proceedings on insolvency of foreman and transfer of insolvency proceedings.*—When during the pendency of the proceedings for the winding up of a chit, the foreman is adjudicated an insolvent or when the foreman is a company, the company has been ordered to be wound up by the court, the winding-up proceedings under this Act shall cease and the distribution of the chit assets shall, subject to the provisions contained in sections 34 and 42, be made by the insolvency court or the court winding up the company, as the case may be. Where insolvency proceedings against the foreman are pending in different courts, the High Court may transfer the preceedings from one court to another as it may deem fit.

48. *Compensation for frivolous or vexatious application.*—(1) When an application presented for winding up a chit is dismissed and the court is satisfied that the application is frivolous or vexatious, the court may award against the applicant such amount, not exceeding five hundred rupees, as it deems reasonable as compensation to the forman for the expense or injury occasioned to him by the aplication and the proceedings thereon and such amount may be realized as if the ward were a decree.

(2) Compensation under sub-section (1) shall bar any suit for compensation.

49. *Right of appeal.*—The foreman, any subscriber, the Receiver or any other person aggrieved by a decision or order of the court in proceedings for winding up a chit may, within two months from the date of such decision or order appeal to the High Court.

50. *Limitation.*—(1) Where an order refusing to wind up a chit has been made under this Act, the chit shall be deemed to have been under suspension form the date of the presentation of the application to the date of such order in respect of non-prized subscribers, and notwithstanding anything contained in the chit agreement, no non-prized subscriber who was not a defaulter on the date of the presentation of the application for winding up shall be deemed to be a defaulter on the date of its dismissal.

(2) Where an order refusing to wind up a chit has been made under this Act, in computing the period of limitation prescribed for any suit or other legal proceedings (other than a suit or an application in respect of which the leave of the court has been obtained) which might have been brought or instituted the period from the date of the presentation of the application to the date of the order refusing to wind up the chit shall be excluded.

(3) Nothing contained in this Act shall affect the right of the subscriber to proceed by suit or application against the foreman personally for the balance, if any, of the amount due to him after the declaration of the final divided in proceedings for winding up the chit and in computing the period of limitation prescrbed for any such suit or application, the period from the date of the presentation of the application for winding up the chit to the date of the declaration of the final dividend shall be excluded.

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CHAPTER X.

OFFICERS INSPECTION AND FEES.

51. *Appointment of Director of Chits, Inspecting Officers, Registrars and Chit Auditors.*—(1) The Government may, by notification, appoint a Director of Chits and as many Inspecting Officers and Registrars as may be necessary for the purpose of discharging the duties imposed upon the Director of Chits, the Inspecting Officers and the Registrars by or under this Act or the rules made thereunder.

(2) The Director of Chits may appoint as many Chit Auditors as may be inecessary for the purpose of discharging the duties imposed upon the Chit Auditors by or under this Act or the rules made thereunder.

(3) All Inspecting Officers, Registrars and Chit Auditors shall discharge the duties imposed upon them by or under this Act or the rules made thereunder under the general superintendence and control of the Director of Chits.

(4) If the Registrar is of the opinion that the accounts of any chit are not properly maintained and that such accounts should be audited, it shall be lawful for him to have such accounts audited by a Chit Auditor. It shall be the duty of the foreman of the chit concerned to produce before the Chit Auditor all accounts, books and other records relating to the chit, to furnish him with such information as may be required and to afford him all such assistance and facilities as may be necessary or reasonable and as may be required in regard to the audit of the accounts of the chit.

(5) The foreman shall pay to the Chit Auditor such fees as may be prescribed for the audit of the accounts of a chit under sub-section (4).

52. *Inspection of documents in the Registrar's office.*—Any person may, on payment of such fees as may be prescribed—

(i) inspect the documents kept by the Registrar; and

(ii) obtain a copy or extract of any document to be certified by the Registrar.

53. *Levy of fees.*—(1) There shall be paid to the Registrar such fees as the Government may, from time to time, prescribe for—

(*a*) the registration of the by-laws of a chit under section 3;

(*b*) the grant of a certificate of commencement under section 7;

(*c*) filing with the Registrar of the chit agreement and copies of documents under sections 11, 20, 21, 29 and 32;

(*d*) the inspection of documents under section 52;

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(e) the certificate, copy of or extract of documents under section 52;

(f) the audit of the accounts of the foreman and the issue of an audit certificate;

(g) such other matters as may appear necessary to give effect to the purpose of this Act.

(2) A table of fees payable under sub-section (1) shall be published in the *Fort St. George Gazette.*

CHAPTER XI.

MISCELLANEOUS.

54. *Appeals.*—(1) Any foreman aggrieved by an order of the Registrar—

(a) refusing to register the by-laws of a chit under sub-section (1) of section 3;

(b) refusing to grant a certificate of commencement under sub-section (2) of section 7;

(c) refusing to accept the security under clause (a) of sub-section (1) of section 12 or under section 23; or

(d) refusing to release the property charged by way of security or to order the release of the cash security or the Government securities under sub-section (4) or sub-section (5) of section 12, may, within thirty days of the communication to him of such order, appeal to the Director of Chits.

(2) Any foreman or any other person aggrieved by an order of the Registrar under sub-section (1) of section 26 or by an order of an officer empowered by the Government under sub-section (2) of that section may, within thirty days of the communication to him of such order, appeal to the Director of Chits.

(3) The Director of Chits may, after giving the appellant an opportunity of being heard, pass such orders on the appeal under sub-section (1) or sub-section (2), as he thinks fit.

55. *Power of Registrar to condone delay in certain cases.*—The Registrar may, in his discretion and upon an application in writing by any foreman made within the period of fourteen days specified in any of the provisions of sub-section (2) of section 20, sub-section (2) of section 21, section 29 and section 32, allow to the foreman further time not exceeding fifteen days to file a copy of any document under any of the provisions referred to above.

56. *Penalties.*—(1) Whoever contravenes or abets the contravention of any of the provisions of sections 3, 4 and 7 shall be punishable with imprisonment for a term which may extend to one year or with fine which may extend to five hundred rupees or with both.

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(2) Any foreman—

(*a*) who does not file the chit agreement under section 6 or a copy of any document under section 11, sub-section (2) of section 20, sub-section (2) of section 21, section 29 or section 32 within the period specified for such filing or within the further time allowed under section 55 for such filing; or

(*b*) who contravenes any of the provisions of section 8, sub-sections (1) and (6) of section 12, section 14, section 15, section 16, section 20, section 21, section 22, section 23, sub-section (4) of section 25, section 29, section 35, section 36, section 37 and sub-section (4) of section 51; or

(*c*) who fails to comply with the requirements of the chit agreement regarding the date, time and place at which the chit is to be drawn;

shall be punishable with fine which may extend to one hundred rupees.

(3) Whoever in any document required by, or for purposes of, any of the provisions of this Act wilfully make a statement false in any material particular knowing it to be false, shall be punishable with imprisonment for a term which may extend to one year or with fine which may extend to five hundred rupees or with both.

57. *Cognizance of offences.*—No court inferior to that of a salaried presidency magistrate or a salaried magistrate of the first-class shall try any offence under this Act.

58. *Application of fines.*—The court imposing any fine under this Act may direct that the whole or any part thereof be applied in or towards payment of the costs of the proceedings.

59. *Compounding of offences.*—(1) Notwithstanding anything contained in the Code of Criminal Procedure, 1898 (Central Act V of 1898), any officer empowered by the Government in this behalf may at any time on receipt of such compensation as may be fixed by such officer not exceeding such amount as may be prescribed compound any offence punishable under the foregoing provisions of this Act.

(2) On the payment of compensation under sub-section (1), no further proceedings shall be taken against the accused person and he shall be acquitted.

60. *Power to enter and search any place and to seize documents, etc.*—(1) A magistrate of the first-class in the mufassal or a presidency magistrate in the Presidency-town, may, on receiving a report from the Registrar or the Inspecting Officer appointed under sub-section (1) of section 51 that any person conducts or is responsible for the conduct of a chit in any place in contravention of the provisions of this Act, issue a warrant empowering the Registrar or the Inspecting Officer to enter such place with such assistants as he considers necessary and inspect the books, registrars, accounts

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or documents in such place. On receiving such warrant the Registrar or the Inspecting Officer may enter the place with such assistants as he considers necessary and inspect the books, registers, accounts or documents in such place and may take to his office for further investigation such books, registers, accounts and documents as he considers necessary :

Provided that if the Registrar or the Inspecting Officer removes from the place any book, register, account or document, he shall give to the person in charge of the place, a receipt describing the book, register, account or document so removed by him :

Provided further that within twenty-four hours of the removal of the books, registers, accounts and documents from the place, the Registrar or the Inspecting Officer shall either return them to the person from whose custody they were removed or produce them in the court of the magistrate who issued the warrant. Such magistrate may return the books, registers, accounts and documents or any of them to the person from whose custody they were removed by the Registrar or the Inspecting Officer, after taking from such person such security as the magistrate considers necessary for the production of the books, registers, accounts and documents when required whether by the Registrar or by the Inspecting Officer or by the court, or may pass such other orders as to their disposal as appear just and convenient to the magistrate.

(2) The Registrar or the Inspecting Officer shall have authority to require any person whose testimony he may require regarding any chit agreement to attend before him or to produce or cause to be produced any document and to examine such person on oath.

(3) The Registrar or the Inspecting Officer may apply for assistance to an officer in charge of a police station and take Police officers to accompany and assist the Registrar or the Inspecting Officer in performing his duties under this Act.

61. *Payment to be evidenced by document.*—All payments in respect of a chit whether by the foreman or by the subscriber shall be evidenced by documents in writing.

62. *Interest at more than twelve per cent not to be allowed.*—No court shall award interest on claims arising under this Act at more than twelve per cent per annum simple interest.

63. *Power of court to grant relief in certain cases.*—Nothing contained in the foregoing provisions of this Act shall affect the powers vested in a court for granting relief against any of the provisions contained in the chit agreement, if the same be unconscionable or opposed to the provisions of any law.

64. *Power to make rules.*—(1) The Government may make rules for carrying out all or any of the purposes of this Act.

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(2) In particular and without prejudice to the generality of the foregoing power, such rules may provide for or regulate—

(*a*) all matters expressly required or allowed by this Act to be prescribed;

(*b*) the matters in respect of which provision shall be made in the by-laws of a chit and the procedure to be followed in making registering, altering and abrogating by-laws, and the conditions to be satisfied prior to such making, registration, alteration or abrogation;

(*c*) the particulars which every chit agreement shall contain;

(*d*) the method of valuation of grains by the Registrar in a grain chit, for the purposes of security under section 12;

(*e*) the restrictions and conditions subject to which and the manner in which, any security given by a foreman under section 12 may be changed or substituted;

(*f*) the procedure to be followed by the Registrar for the release of security given by the foreman under section 12.

(*g*) the maintenance of registers and books of accounts by the foreman, the safe custody of books, papers and documents in the Registrar's office and also for the destruction of such books, papers and documents as need no longer be kept;

(*h*) the procedure to be followed for the winding up of a chit under Chapter IX; and

(*i*) the auditing of the balance sheets and profit and loss accounts and the issue of audit certificates.

(3) (*a*) All rules made under this Act shall be published in the *Fort St. George Gazette and*, unless they are expressed to come into force on a particular day, shall come into force on the day on which they are so published.

(*b*) All notifications issued under this Act, shall, unless the year expressed to come into force on a particular day, come into force on the day on which they are published.

(4) Every rule made or notification issued under this Act shall, as soon as possible, after it is made or issued, be placed on the table of both Houses of the Legislature, and if, before the expiry of the session in which it is so placed or the next session, both Houses agree in making any modification in any such rule notification or both Houses agree that the rule or notification should not be made or issued, the rule or notification shall thereafter have effect only in such modified form or be of no effect, as the case may be, so however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule or notification.

65. *Recovery of amounts due from a foreman.*—All amounts due from a foreman to the Registrar or any other officer under this Act, by way of any fee or as compensation for the composition of any offence under this Act shall be recoverable as arrears of land revenue.

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66. *Act not to apply to certain chits.*—The provisions of this Act shall not apply in respect of—

(1) any chit started before the commencement of this Act, or

(2) any chit the chit amount of which or where two or more chits are started or conducted simultaneously by the same foreman, the aggregate chit amount of which does not exceed one hundred rupees.

67. *Power to exempt.*—The Government may, by notification, exempt any person or class of persons to whom or any chit for class of chits to which this Act applies from all or any of its provisions, subject to such conditions as they deem fit and may cancel or modify any such notification.

68. *Amendment of Central Act II of* 1899.—In Schedule I to the Indian Stamp Act, 1899 (Central Act II of 1899) as amended by the Indian Stamp (Madras Amendment) Act, 1958 (Madras Act XIV of 1958), for entry 20-A, the following entry shall be substituted, namely :—

" 20-A. A chit agreement, that is, an agreement relating to a chit as defined in clause (3) of section 2 of the Madras Chit Funds Act, 1961, if either such agreement is executed or the chit is conducted in the State of Madras One rupee ".

69. *Repeal and saving.*—(1) Any law corresponding to this Act in force in the transferred territory immediately before the commencement of this Act including the Travancore Chitties Act, 1120 (Travancore Act XXVI of 1120), (hereinafter in this section referred to as the corresponding law) shall stand repealed on such commencement.

(2) The repeal by sub-section (1) of the corresponding law shall not affect—

(*a*) (i) the previous operation of the corresponding law or anything done or duly suffered thereunder; or

(ii) any right, privilege, obligation or liability acquired, accrued or incurred under the corresponding law; or

(iii) any penalty, forfeiture or punishment incurred in respect of any offence committed against the corresponding law; or

(iv) any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty, for feiture or punishment as aforesaid;

and any such investigation, legal proceeding or remedy may be instituted, continued or enforced and any such penalty, forfeiture or punishment may be imposed as if this Act had not been passed; or

(*b*) The operation of the corresponding law in respect of chitties started before the commencement of this Act.

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(3) Subject to the provisions of sub-section (2), anything done or any action taken, including any appointment or delegation made, notification, order, instruction or direction issued, or any rule, regulation or form framed, certificate granted or registration effected. under the corresponding law shall be deemed to have been done or taken under this Act and shall continue to have effect accordingly, unless and until superseded by anything done or any action taken under this Act.

(4) Unless the context otherwise requires, the Madras General Clauses Act, 1891 (Madras Act I of 1891), shall apply for the interpretation of this Act in its application to the transferred territory.

(5) For the purpose of facilitating the application of this Act in the transferred territory, any court or other authority may construe this Act with such alteration not affecting the substance as may be necessary or proper to adopt it to the matter before the court or other authority.

(6) Any reference to the corresponding law in any law which continues to be in force in the transferred territory after the commencement of this Act shall, in relation to that territory, be construed as a reference to this Act.

Explanation.—For the purpose of this section, the expression "transferred territory" shall mean the Kanyakumari district and the Shencottah taluk of the Tirunelveli district.

70. *Power to remove difficulties.*—(1) If any difficulty arises in giving effect to the provisions of this Act, the Government may, as occasion may require, by order, do anything which appears to them to be necessary for the purpose of removing the difficulty.

(2) All orders made under sub-section (1) shall, as soon as possible, after they are made, be placed on the table of both Houses of the Legislature and shall be subject to such modifications by way of amendment or repeal as the Legislature may make either in the same session or in the next session.

